The MAGAZINE *of* WALL STREET

INVESTMENT & BUSINESS TREND

Ten Years in Retrospect—Signs of Economic Recovery —Gold Reserves and Inflation—The Market Prospect

JUST ten years ago, the economic foundations of the world were shaken with the opening of a war that was destined to cause the loss of millions of lives and the destruction of tens of billions of capital. Considering the vicissitudes through which the world has passed in the past decade, it is rather remarkable that the edifice of civilization still stands. No greater example can be had of the underlying fortitude of the human race and its capacity to build for the future, even in the midst of the ruins which it has created for itself. There are many examples of this sort of thing in history.

Today the world is busily engaged in trying to restore its financial condition. Here and there, in Europe in particular, are rising visible manifestations of the economic recovery which must ultimately wipe out the effects of the war and give the world a new opportunity for peace and the fruits of peace. Witness the fortunate outcome of the Dawes Plan Conference.

In the meantime, favored among all the nations of the world, the United States stands on the firmest financial foundation in its history. Creditor of the world, a kaleidoscopic change since its debtorship of only a decade ago, its population of nearly one hundred and twenty millions enjoys a standard of living known nowhere else. Its banks are overflowing, its industries are on a solid foundation without fear of foreign competition. Its railroads are the most efficient of the world and its farmers are now at last coming into their own. Every opportunity is here for the prosecution of legitimate business with prospects for continued prosperity for many years to come. This is, indeed, a golden era for the United States.

THE BUSINESS REVIVAL

THE inherently strong position of American industry is illustrated by the increasing signs that we are already drawing away from the slump in business which marked the past few months. The great advance in grain and livestock prices continues to be reflected in the general increase of trade activity in the middle and southwest. Certain important industries such as steel and coal are increasing operations, under the impetus of renewed demand. Railroad car loadings are increasing. Building and construction is still in a healthy condition. Industries such as textiles, shipping and others directly dependent on the status of agriculture give definite signs that they are emerging from their formerly depressed condition. Though trade continues to languish in many directions and while there is still a considerable amount of unemployment, the quickening of industrial activity should soon tend to eliminate the depressing factors which still exist. It is clearer now than at any other time in the past few months that we are heading toward a substantial increase of general business activity.

INFLATION

THE simultaneous advance which is taking place in commodities and securities is interpreted by many students of economics as a reflection of the inflationary potentialities contained in our gold reserves, now the largest in our history. Obviously, the tremendous volume of available credit based on our gold supplies produces a situation which lends itself easily to inflationary and speculative tendencies. Certainly

our extremely low interest rates makes a favorable base for speculative operations and it is unquestionably true that to some extent the current general advance in commodities and securities draws its being from the availability of abundant funds at low rates of interest. European critics have pointed out that the large gold reserves of this country may prove a source of embarrassment, leading to high inflation. This is probably a cause of uneasiness among banking officials and it may be assumed that the Federal Reserve Board is in close touch with the situation. It is a long time, however, before the critical point will be reached if, indeed, our banking authorities permit such a point to be reached.

OBSCURANTISM

THE apparent candor with which a prominent banker one day denied knowledge of an important series of railroad consolidations to be followed the next day in the public prints by a report sufficiently comprehensive to indicate that the gentleman in question not only had full knowledge of what was going on but was even a prime mover in the negotiations, is a sad commentary on the methods of certain higher-ups in finance. It may be that in this case the monetary interest of this person would not have been served by premature public announcement but what warrant was there for a flat denial of a situation which everyone knew existed? Does not such denial when proved false justify the use of a short and ugly world?

We are reminded that a few months ago we published an analysis of an industrial stock which was then in the 20's. Our conclusion, based on our knowledge of conditions affecting this company, were extremely favorable and we recommended the issue for purchase. Much to our surprise we received shortly after publication of this analysis a letter from the President of the company vehemently denouncing us for publishing what he called an incorrect view of the situation.

We therefore made another analysis of the company's position but found that the facts were as we originally stated. Today, this stock after advancing steadily since our analysis, is quoted at over $60 a share. We may be forgiven, therefore, if we cannot avoid the feeling that the president of this company was averse to seeing favorable mention of his company at a time when the stock was selling very low and which might give others besides himself an opportunity to profit from an unusual market situation. Unfortunately, this sort of thing among corporation officials is much more common than it should be.

THE MARKET PROSPECT

DURING the two weeks ending Saturday, August 9th, the stock market recorded a further advance in twenty-five rails, twenty-five industrials and fifty stocks, as presented in graphic form on page 509 of our August 2d issue. The industrials recorded 118.59, the rails 71.43, and the fifty stocks 95.36. By noting these figures on the Buying and Selling Zone graph, it will be seen that the market is well up into the Selling Zone, these high prices having been exceeded on this graph only twice in the last fourteen years.

The market does not lack further possibilities. A European settlement, for example, would undoubtedly lead to considerable buying of American shares by foreigners to whom our railway issues are especially attractive. It is likely that other important railroad deals will be consummated before December. There are a number of plans for the recapitalization of certain high priced industrial shares. Wall Street also has a way of over-discounting favorable prospects. Some of this may take place within the next month or two. All of these influences may add to market activity and result in higher prices for the averages.

But we do not consider it wise to wait until the last moment before taking advantage of this high market.

It is neither the time to buy stocks nor to hold them.

It appears to us that now is an excellent time to sell, for if one does not liquidate his common stocks while the market is high, he probably will not have the money with which to buy when bargain days return.

Furthermore, there are indications that large interests have begun to liquidate their long positions. This does not necessarily mean that the market will immediately turn downward, because advancing prices are often necessary in order to induce public buying. We naturally infer that these interests are selling because they expect eventually to replace their holdings at lower levels. That is exactly what we believe our subscribers should do, for the same opportunities will doubtless be open to them in the course of the next several months. *All buying recommendations in this issue are herewith withdrawn.*

Monday, August 11, 1924.

The Instalment Purchase Plan—Blessing or Curse?

A Symposium of the Views of Industrial and Economic Leaders—Some Decided Opinions

By Theodore M. Knappen

"I NEVER could have done this in Russia," said the Russian-Jew cabinet-maker, indicating his considerable store and several busy workmen. "There, always I would have been a hired worker."

"Why?" I asked, as a matter of conversation, but was startled into interest by the quick reply:

"Credit—what you call the instalment plan."

"Don't they have it in Russia?"

"Credit, for the rich man, yes; but credit for the poor man, no; the instalment plan is not known in Russia. Maybe not in Europe at all."

I asked for particulars.

"See that Ford truck out there? It made my business. In Russia, unless Mr. Ford has recently introduced it there, I could not have bought a truck until I had the cash. By the time I had saved so much I would be an old man and it would be too late. But here in America I pay down a little, which I can quickly save, then I get the truck and with the truck I make my business, meet my instalments easily, and have my business besides. Yes, I bless America for the poor man's credit."

As I walked out of the shop, I happened to run into a lawyer friend, who, in his prosperous middle years, has specialized on taking the retainers, very small, of life's underdogs. We were going the same way, and I related the story of the cabinet-maker.

"I'm glad to hear one good thing of this damned business," was the lawyer's comment, "but I tell you it's the special curse of the poor man in this day, taken as a whole. It reverses the rule of thrift, which is present denial for the sake of the future; whereas the instalment plan denies the future for the sake of the present. It's like selling your immortal soul to the devil for a full cup of joy here and now.

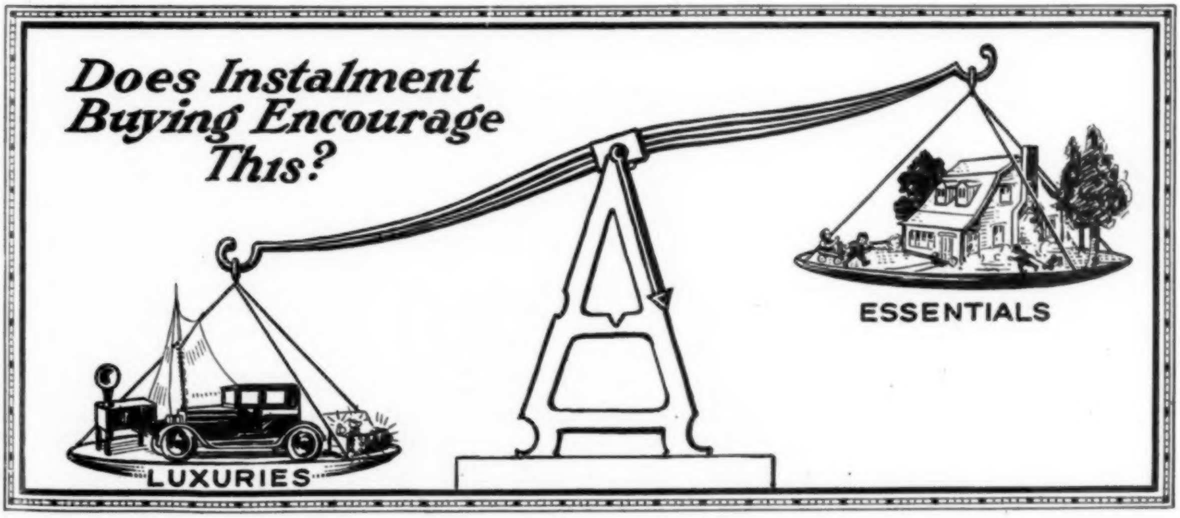
"It's a new device for the eternal usurer and loan shark to get his. In the crude old days you took some trinkets to the pawnbroker and pledged them for a loan at 20% a month or more, or you went to a loan shark and sold yourself to him for a loan on such conditions that you might repay the principal several times over in a short period and owe as much as ever.

"Now, the pawnbroker or shark, disguised as a legitimate merchant, lures you into his den, camouflaged as a handsome store, and persuades you to take some of his atrocious furniture or shoddy clothes or something else, at twice a fair price, which you promptly put in hock with him, although you are allowed possession. Maybe after two or three years you have paid all but a few dollars of this loan. Then you can pay no more. The modern usurer takes back the furniture and keeps all your money besides. They do it legally, too, but I have a lot of satisfaction in virtuously blackmailing the devils into reasonable settlements."

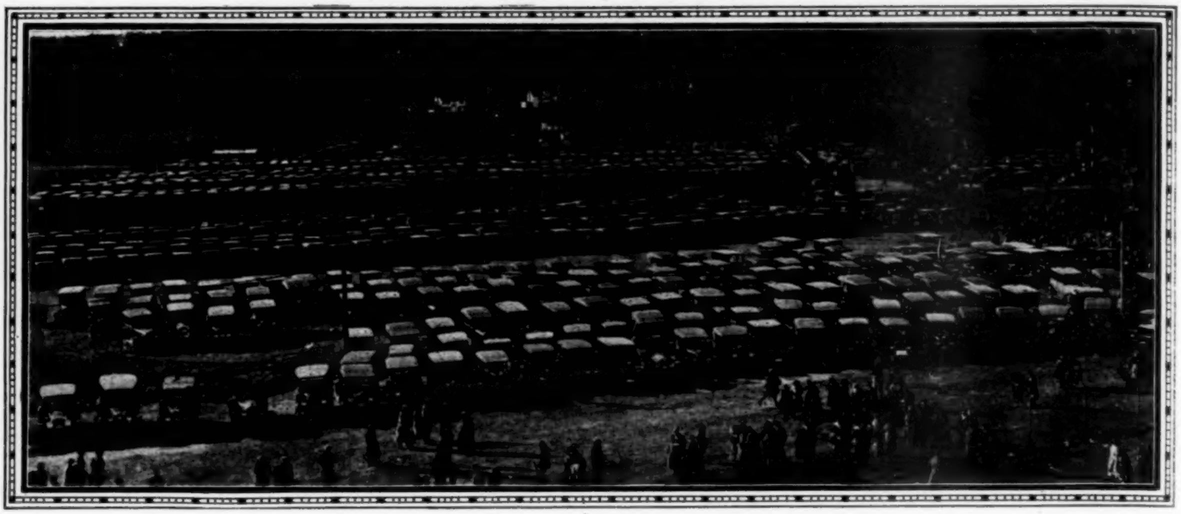
The two conversations piqued my interest in the instalment system, and I sought enlightenment.

"The instalment system, is it good or bad?" I asked H. H. Morse, chief of the division of Domestic Commerce, of the U. S. Dept. of Commerce, which has been somewhat gingerly delving into the matter.

"On the whole, probably bad," was the answer. "It is undeniably helpful in many cases, but its tendency is to stimulate the accumulation of debts that it may not be possible to pay; and what is worse, they are usually for dispensable goods. Most automobiles are bought on the instalment plan, and many of them go to purchasers who cannot afford them and would not have bought them but for the beguilement on easy payments. Most furniture is so bought, and most of it could be dispensed with. I don't mean that people can do without household furniture, or should eschew automobiles, but I do mean that they can get along with buying them as they have the cash. The total volume of business would be about as large in the long run without instalments, the merchants would do about as well, and a constant temptation to inflated prices would disappear, also an incalculable amount



"Lop-sided buying," with the greater part of the public's income going for luxuries. This is the effect some observers see in the Instalment idea.



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"This instalment business does not begin and end with buyer and seller. Its abuse affects general business life. It seems so easy to meet small monthly instalments that the buyer frequently overbuys. He buys a phonograph or radio when none would do; he takes on an automobile without realizing that his gas will cost as much as his monthly instalments. The first thing he knows most of his income is mortgaged. He is too proud to give up and have his furniture seized or the return of his clothes demanded. He perhaps meets his instalments but he doesn't pay his grocery or drug store bill or his general department store bill, and he curtails his ordinary purchases of necessaries. As a consuming unit he dwindles; as a social liability that somebody must pay for, he grows.

"Just now, in these good times, instalments are being met. But suppose a panic, vast unemployment! The instalments can't be met. The contracts have been turned over to a swarm of newborn finance companies, with the merchant's name on the back. He commonly supposes that his indorsement is merely a certification of the contract, but it is a regular indorsement. Down on the merchant comes the finance company when the instalments fail. I have reason to believe that the total amount of these instalment contracts that have been discounted by finance companies is very considerable—quite enough to cause something of an upset if they come back on the merchants."

Next, I put the problem up to the director of distribution of one of the greatest of the national business associations.

"I wish we could get rid of instalment buying, root and branch," he said. "It is a wasteful system. It stimulates high pressure selling and reckless buying. The people that ought to be putting their savings into banks, homes, and investments, are putting far more than their savings into things that will be worn out when they are paid for. There is no joy in paying for a dead horse.

"While there is a new crop of suckers coming on every year, who are willing to trade the long future for the fleeting present, all the old crops are bound to meet the saturation point one of these days. They won't be able to buy any more goods on the instalment plan, and they won't have anything with which to buy for cash. Then the merchant will find that he is as much of a sucker as the man he lured into the system, for a rotten future will offset his present prosperity. Neither buyer nor seller can each keep his particular brand of business cake and gulp it, too.

"When a man saves to make a future cash purchase, his savings are earning interest. When he saves to pay an instalment he is paying out interest on his savings. He loses at both ends of the deal, and also his peace of mind and self-respect.

"I would add this important postscript, viz., that wherever credit is beneficial, it does not cease to be so because it is on the instalment plan. The fundamental defect of instalment credit is that it is not beneficial as a rule, or, rather, that it invades fields where there should be no credit—at least no long credit. It creates unnecessary credit by creating unnecessary buying. It makes spenders of people who might be savers and it makes easy spenders more so. It is very largely credit that is exchanged for consumable goods, and consequently is not utilized to increase capital but rather hinders its accumulation. This is bad economy—bad for the individual and bad for the public.

"A redeeming feature of the instalment device is that it sometimes compels beneficial saving. Take the man who buys a house on the instalment plan. Between the inflated price he is compelled to pay and the long years of interest that are included in his amortization payments, he will find that he would have done better to pay rent for the same period and put the difference into the savings bank at compound interest, or into revolving security investments. But nine times out of ten he will meet his amortization payments and nine times out of ten he wouldn't save the difference. This is costly saving but better than none. It's like investment or endowment insurance. As an investment the savings bank will beat it; but on account of the life insurance side a man will pay his premiums at any cost and make a saving incidentally that is far better than the larger one he wouldn't have made.

"When there is no other way out, the instalment plan is a mighty good thing, but so is the pawnshop then. But to be chronically in debt for current and future living expenses is a moral menace. It's a sort of contract slavery, and slavery never was good for any man. It humiliates and perturbs. The man in the instalment grip goes through life in the mood of always being a few minutes late for the train. As an emergency, first-aid measure, the instalment plan is sometimes a life saver, but as a chronic practice it is a moral narcotic. If it could be restricted to a useful and helpful credit basis, it would be all right; beyond that it is all wrong—and that is the major part of it.

"The easy payment plan, which is only

so in prospect and is always uneasy in fact, has deplorable effects on the general current of business and of life. Men neglect the household larder and the family wardrobe in favor of a neutrodyne or a four-wheel brake. The merchants who supply these necessities suffer a reduction of business, and the curtailed demand stops the factory wheels, and so basic industry suffers."

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Francis Walker, chief economist of the Federal Trade Commission, thinks that instalment buying is a matter of individual appraisal, rather than general characterization. The Commission has never investigated the system as such—in truth, there is a great lack of statistics on the subject as a whole, so that most discussion is opinion rather than supported judgment—but it did go rather deeply into furniture instalment buying, incidentally to its general investigation of the furniture trade.

And it uncovered some startling facts. It found that the "mark-up" of the retail price over the wholesale price was sometimes as high as 200% for the instalment buyer. Fifty per cent more than the cash retail price was sometimes encountered and the report estimates that the instalment buyer pays on the average about 16% more than the cash or open account buyer.

The "mark-up" for the instalment buyer, according to the report, is so high that many merchants are not at all concerned by contract repudiations. They allow a liberal per cent for such losses. Consequently, they are willing to sell on the instalment plan to anybody, merely making an impressive monitory bluff about "looking him up." Moreover, many of them make their sales on the lease plan. The bewildered purchaser may find, if he fails to meet his obligation, that he has been merely renting the furniture and that even if he had paid all but a few dollars of the purchase price his equity is nothing. Frequently, additional purchases are tied into an existing contract, so that even after the original purchase has been completely paid for, it is still on rent, and can be taken back, if the contract as a whole is not fulfilled by the purchaser.

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Dr. David Friday, well-known economist, is not at all disturbed by the expansion of instalment buying. There may be too much of it for the peace of mind of many people who have been hypnotized by its possibilities, but he doesn't see any general business impediment or menace arising from it. In his opinion much instalment buying is merely an expression of the increased buying power of the people. "The general level of wages is much higher now than before the war," he said, "millions of people now have incomes that justify automobiles, radios, music machines, and all sorts of things that were formerly beyond their reach. Naturally, instead of waiting years for their savings to equal the things their incomes can afford, they avail themselves of a plan which enables them to pay as they use. Goods that are low-priced in units can easily be paid for in full, but when the unit gets into the hundreds of dollars, deferred payments are necessary to their enjoyment.

"If a man had to buy a whole year's supply of groceries in a lump most of us would go into the instalment plan, if available, or go without groceries. A man's income may justify a $500 automobile, and he is not necessarily a waster if he pays for it as he uses it, which is in fact the way he pays for his groceries. In the long run the thing corrects itself. The people who overdo it, will be eliminated, voluntarily and involuntarily. Those who do not abuse it will find that it is simply an adaptation of credit to their circumstances. Most of the people who get run over by the instalment plan are of the kind that get run over anyway. The trouble is with them and not with the plan. That the default on automobiles, for instance, is not appreciable (while millions of them are being paid for in instalments) and the general business of the country goes on increasing,

(*Please turn to page 643*)

Authoritative Observers Who Take Part in This Discussion and Some of Their More Striking Remarks

H. H. MORSE, Chief, Division of Domestic Commerce, U. S. Dept. of Commerce:

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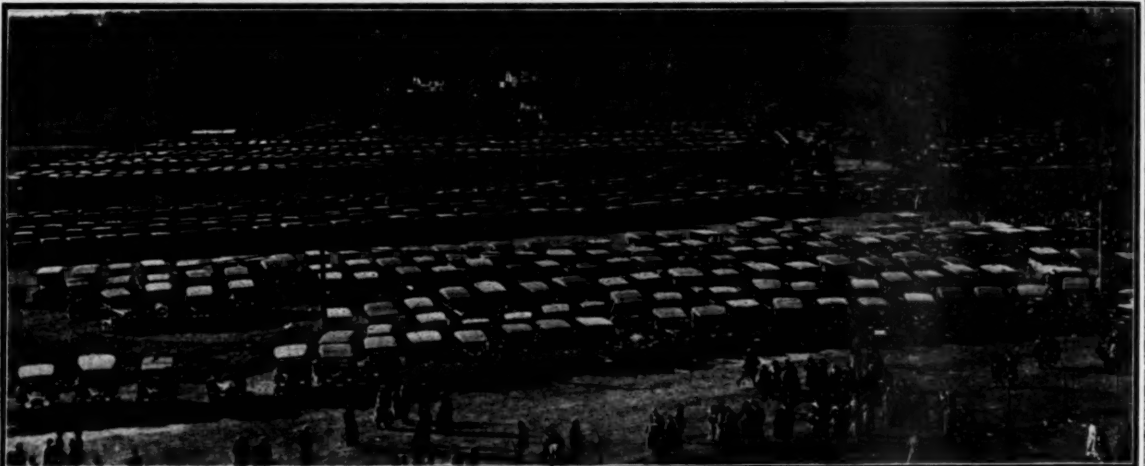

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An idea of the extent of the invasion of the furniture business by the instalment plan may be obtained from some of the Commission's figures. Out of 556 retail furniture dealers reporting, only thirteen sold on a strictly cash basis, and 500 *admitted that they were using the instalment plan in some degree.* Of the 355 specialized furniture stores, 206 reported that 75 to 100% of their business was instalment; 69 said it was 50 to 75% of their business. Of 42 general house furnishing stores, 15 gave instalments as 75 to 100%, and 11 reported them 50 to 75%. Of 47 general stores, 22 found that 75 to 100% of their sales were instalments, and 7 were in the 50-75 bracket. Of 31 department stores, 6 were in the 75-100 class, and the same number in the 50-100 group. The Commission's report throws some interesting light on the profits that result from exacting high prices from the poor, for that is what an instalment sale frequently comes to. Out of 355 furniture stores, only 11 experienced a loss in 1920 and 104 had a profit of more than 20% and 27 over 50%. Two did better than 100%.

Dr. David Friday, well-known economist, is not at all disturbed by the expansion of instalment buying. There may be too much of it for the peace of mind of many people who have been hypnotized by its possibilities, but he doesn't see any general business impediment or menace arising from it. In his opinion much instalment buying is merely an expression of the increased buying power of the people. "The general level of wages is much higher now than before the war," he said, "millions of people now have incomes that justify automobiles, radios, music machines, and all sorts of things that were formerly beyond their reach. Naturally, instead of waiting years for their savings to equal the things their incomes can afford, they avail themselves of a plan which enables them to pay as they use. Goods that are low-priced in units can easily be paid for in full, but when the unit gets into the hundreds of dollars, deferred payments are necessary to their enjoyment.

"If a man had to buy a whole year's supply of groceries in a lump most of us would go into the instalment plan, if available, or go without groceries. A man's income may justify a $500 automobile, and he is not necessarily a waster if he pays for it as he uses it, which is in fact the way he pays for his groceries. In the long run the thing corrects itself. The people who overdo it, will be eliminated, voluntarily and involuntarily. Those who do not abuse it will find that it is simply an adaptation of credit to their circumstances. Most of the people who get run over by the instalment plan are of the kind that get run over anyway. The trouble is with them and not with the plan. That the default on automobiles, for instance, is not appreciable (while millions of them are being paid for in instalments) and the general business of the country goes on increasing,

(*Please turn to page 643*)

Authoritative Observers Who Take Part in This Discussion and Some of Their More Striking Remarks

H. H. MORSE, Chief, Division of Domestic Commerce, U. S. Dept. of Commerce:

"Its (the Instalment Plan's) tendency is to stimulate the accumulation of debts it may not be possible to pay."

DR. DAVID FRIDAY, Economist:

"Most of the people who get run over by the Instalment Plan get run over anyway. The trouble is with them and not with the Plan."

WILSON COMPTON, Manager, National Lumber Manufacturers Ass'n;

"The lumbermen claim with a good deal of reason that the shortage of housing and the low percentage of home-ownership are due to unsound diversion of funds by the Instalment route, particularly into luxuries."

The Riddle of the Rails

Why Railroad Securities Advanced While Earnings Declined—A Seeming Paradox Explained

By BARNARD POWERS

RAILROAD stocks are selling higher on average than at any time in half a decade. For seven months they have climbed uninterruptedly and apparently the end is not yet. But the trend of railroad gross and net, again speaking in averages, has been downward. The recently issued statement of the first 20 Class I roads for June showed total gross revenues of $138,157,000 as against $161,129,000 for the same month a year ago, equivalent to a drop of 14.2%. Turn to the accompanying graph and you will observe that the gross of 30 representative roads has been downward since around the first of the year. Yet rail stocks go on merrily up.

Look at the same graph and for the year 1923 and you will perceive an exact opposite situation. Gross earnings boomed in that year but for the most part railroad stocks steadily declined. Yet railroad gross in that year showed the largest in recent years.

The Puzzle

Going back to 1922, we find that the advance in gross earnings was accompanied by a spirited advance in rail shares. Assuredly a puzzling matter. In the first year (1922) the movement in earnings and stocks coincide, the second year earnings go up and stocks go down while this year earnings go down and stocks go up.

What does it mean? Can it be that earnings no longer have any bearing upon the price of railroad securities? Assuredly not, for otherwise the entire theory of investments would stand confuted. Nor can it be that the reported earnings are false or misleading since railroad reports are standardized and carefully supervised by the Interstate Commerce Commission. It is conceivable that one or two roads might put out inaccurate or misleading figures, but it is not conceivable that the entire group of reporting roads would or could do so.

It simply means that the action of railroad stocks are now governed by deeper seated factors and influences than those of current earnings. Other things being equal one would naturally expect railroad shares to rise and fall in consonance, to some degree at least, with fluctuations in earnings. In ordinary times they do. But these are no ordinary times in the railroad world. They are most extraordinary.

The purpose of this article is to point out the great, economic change in the position of the rails which, in conjunction with other factors, explains the divergence between railroad earnings and the movement of railroad securities.

Some Past History

In order to get the required broad view which is necessary to understand the railroad situation we must, at the risk of repetition, retrogress a few years. We find in the past much which is analogous to present-day conditions. About 1870, for example, there was great inflation and the farmer suffered. His products brought little or no profit and his complaints were loud, as in the last few years, before the rise in wheat and corn closed his mouth with plenty. In 1870 the railroads were the arch fiends who were sucking the lifeblood of agriculture. Freight rates must be reduced. Then came the Granger Laws, only to be followed by railroad bankruptcies. The farmers clamored the loudest for the repeal of the Granger Laws which they had advocated and the Granger Laws were repealed. In 1879 the price of farm products rose, chiefly owing to crop failures abroad, and the outcry against the railroads died. An almost exact parallel to that situation can be noted in the developments of the last few years, except there have been no Granger Laws.

The Transportation Act which put an end to Government operation of the carriers—an experiment which cost the country nearly $2,000,000,000—expressly stipulated that the Interstate Commerce Commission must initiate and provide rates which would allow the carriers as a whole to earn a fair return on their invested capital.

On July 17, last, the Interstate Commerce Commission refused to order a reduction in rates on grain, grain products and hay within the Mississippi-Missouri valley cereal-growing territory. The proposed reduction would have amounted to from 10% to 14% and the Commission stated that such reductions would cost the railroads in that territory $17,500,000 annually. The Commission stated that grain and grain products were not contributing more than a fair share to rail revenues and concluded with:

"There is serious doubt whether farmers would not, in many instances, lose from impaired railroad service more than they could possibly gain from such a reduction in rates, even if the farmers could get the entire benefit of any reduction made."

No more Granger Laws or the like!

A few years ago the State Commission of Missouri ordered the 'Frisco to stop two through trains, eastbound and westbound, respectively, at a little town of 2,500 inhabitants called Mountain Grove. The Supreme Court of the United States, after carefully studying the situation and noting that four other through trains stopped regularly at the town, decided that the needs of Mountain Grove did not warrant the interference with interstate traffic that the State Commission had ordered.

Railroad Baiting Out of Fashion

The greatest good to the greatest number. In other words, railroad baiting with its concurrent politics, interstate jealousies and interstate selfishness, has gone out of fashion. The great growth and prosperity of the railroads in the closing years of the last century was, according to President Hadley of Yale, largely due to the "intelligent and appreciative attitude of the public toward rail-

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CONSTRUCTIVE FACTORS BEHIND THE RAILROAD ADVANCE

1. ***General change in the public attitude toward the carriers involving the recognition that railroads are great, economic necessities and must be allowed to earn a proper return on invested capital.***
2. ***Adjournment of Congress and passing of the danger of destructive legislation.***
3. ***Recovery of agriculture, thereby silencing one of the chief critics of the railroads.***
4. ***General belief that radicals and government-ownership protagonists will not prevail in coming elections.***
5. ***Plethora of money seeking investment.***
6. ***Impending consolidations which will redraw railroad map of the country.***

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road men and railroad problems." That intelligent and appreciative attitude changed to one of bitterness and oppression in the early years of the present century and railroad bankers, operators and exploiters were to a large degree to blame for that change. Hence the long "twilight of the roads" which began after Harriman's death in 1909 and extended with minor interruption until 1921.

If that era is to be characterized as the "twilight of the roads" the present era should be characterized as the "renaissance of the roads." If the war had not intervened the renaissance would have come much sooner. In the opinion of the writer the rehabilitation of the railroads would have started a decade earlier had it not been for the war. The changed public and private attitude towards the railroads is one of the main reasons why railroad stocks are now advancing. The big financial interests were first to realize what that would eventually mean to the carriers and the public is gradually beginning to grasp the full import.

railroad situation would be an overnight matter. Great economic changes are never sudden matters. In addition to the political uncertainty which affected the roads in 1923, there is good reason to believe that the decline in railroad securities was artificially accelerated to allow the "big interests" to accumulate stocks for the big advance which they were the first to foresee. It is always thus. In the eleven-year decline beginning with 1909 and ending in 1921 the railroads changed from ownership by the big interests to ownership by smaller investors. In the last two years the big people have bought back much of what they sold.

Consolidations

Late in 1923 there was heavy accumulation of railroad stocks and bonds. In addition to the factors already mentioned the outlook for consolidations on a large scale was undoubtedly a factor of primal importance. It is everywhere admitted that consolidations were logical, economic and ethical and the only question was as to "How?" The railroads are working out that problem under the supervision of the Interstate Commerce Commission.

The course of railroad securities has gone against the course of railroad earnings in the current calendar year because of a number of constructive factors which make for the ultimate prosperity of the carriers. If the fortunes of the roads are on the mend, the matter of monthly earnings is but of momentary upgrade in a broad, general importance.

Those constructive factors are summarized in the accompanying table.

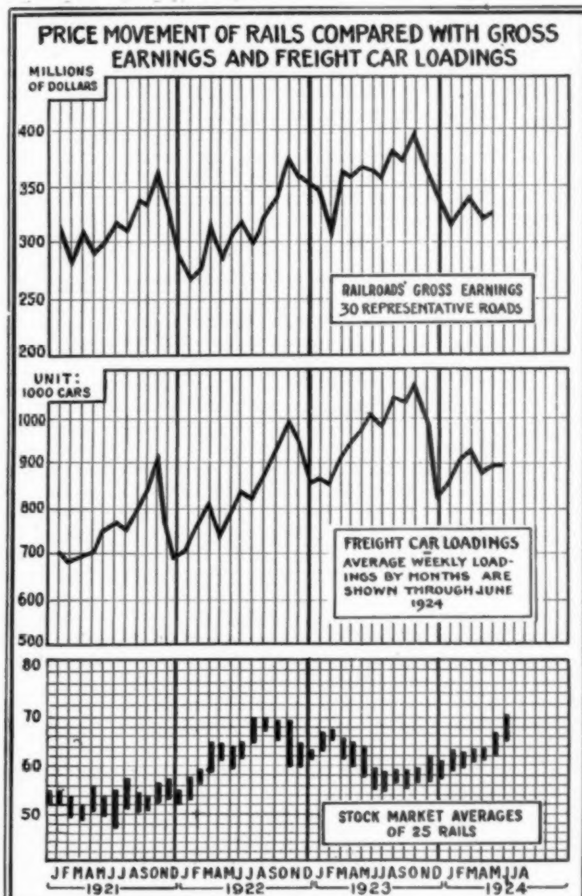
As indicated by the table, this aggregation of constructive factors far outweighs the matter of current earnings. Granted that the underlying position of the rails is greatly improved then it follows that earnings will improve as the times improve. Times are improving and there is every indication that the boom in railroad securities has a long way to go before reaching its zenith.

War and Government Operation

In the two years following the outbreak of hostilities the roads did well and their securities kept pace with the general advance in securities. Immediately following our entry into the great conflict and the commandeering of the railroads by the Government, railroad securities hit the toboggan. During the period of Government operation the rails hung at low levels in the market. And with good reason, too, for when the carriers were finally handed back to their owners their condition was deplorable. Equipment and morale were at the lowest ebb.

The years 1921 and 1922 were years of rehabilitation. The year 1923 was one of large railroad earnings and in the ordinary course of events railroad stocks would have responded strongly. But the farmer was hard up and there was a powerful radical element in Congress which was in favor of taking away from the roads to help the farmer. The La Follettes, Shipsteads and Brookharts were shouting lower rates, government ownership and the like, and the prospect that there might be legislation which would seriously affect the carriers, was not remote.

The roads reached the nadir of their decline in 1921 and early in 1922 went over the top for the advance. It was not to be expected, however, that the change in the



This graph shows how the averages of 25 rails have on the whole moved counter to the trend of gross earnings and freight-car loadings in 1923 and 1924

Patient Stockholder Rewarded at Last!

He who laughs last laughs best. The small stockholder, and there are thousands of such, who has held his railroad securities through thick and thin at last has an opportunity to laugh. It may be that he has lost the ability to laugh through the years which he has dismayfully watched falling earnings, vanishing dividends and crumbling security prices. But the very satisfactory course of railroad affairs should prove a valuable adjunct in restoring suppleness to the facial muscles of the long-patient small investor.

The strong feature of the railroad situation is that it apparently is working towards a permanently sound basis. The railroads, like stable lines of industry will, of course, have their good years and bad years but any such long-continued period of depression, such as occurred from 1909 to 1921, seems very improbable.

The great change in the railroad situation has been a slow affair as all great, economic changes usually are. The small investor who was not an owner of railroad securities has been amply apprised of the trend of events. Readers of this publication, in particular, have been repeatedly informed as to the status of the railroad situation and its prospects. Those who not only read and believed but acted on the information should have some very handsome profits.

How Your Dollar Will Grow If Invested at Compound Interest

End of	$1 @ 4% =	$1 @ 4½% =	$1 @ 5% =	$1 @ 5½% =	$1 @ 6% =
1st year	$1.040	$1.045	$1.050	$1.055	$1.060
5th year	1.216	1.246	1.276	1.306	1.338
10th year	1.480	1.552	1.628	1.708	1.790
15th year	1.800	1.935	2.078	2.232	2.396
20th year	2.191	2.411	2.653	2.917	3.207
25th year	2.665	3.005	3.386	3.813	4.291

THE tremendous cumulative effect of investing money at compound interest may be appreciated from the fact, for example, that $1,000 invested at 6% compounded for fifty years will equal $18,420.53 and invested for 100 years will equal $339,340.70.

These figures are submitted merely to show what a given amount invested at a certain rate over a long period of years will do. Since, however, the average person is not concerned with the accumulation of capital beyond a full generation, say, twenty-five years, it is more to the point to discuss what can be done with money compounded within that period. The table below gives a good idea of the power of compound interest.

It is shown, for example, that it takes eighteen years at 4% compounded for a given sum to double itself, at 5% it takes about 14½ years and at 6% it takes only twelve years.

A Thousand a Year at Fifty

Suppose then at the age thirty, when many men and women have managed to save a few thousands, Tom Jones has $5,000. If he invests this at 6% compounded, he will have $10,000 in twelve years. In fifteen years, he will have $11,980 and in twenty years he will have $16,035 or more than three times what he started with. At the age of fifty, he would have enough to draw a permanent income of $1,000 per year if the accumulated amount were invested at 6%.

We present this very familiar idea to our readers for the purpose of reiterating that the quickest way of getting to a given point is the surest way. We present the idea that it is a good thing to have money work for you, and that it *will* work for you if you *only let it.* Money, let out at interest, is a very tractable servant.

Securing 6%

Over many years, it has been demonstrated, that with care it has been possible to invest money at 6% with relative safety. In order to secure such a rate for your money, however, except in unusual periods when opportunities abound in even high-grade issues, it will be necessary for you to watch for your opportunity.

In other words, it is a little more difficult to secure 6% than 4%, but considering that you can reach your goal in one-third less the time, it obviously pays to look for these opportunities. They may be found in the real estate mortgage field, in the Building & Loan field (where generally the rate is even higher than 6%), in sound bonds, and in preferred stocks of unquestioned position.

You will first have to invest your principal and you will be careful to invest your principal as safely as possible because this will be the cornerstone of your future success. Then, in order to secure the advantage of compound interest, you will have to re-invest the interest derived from your principal. Since, on the average, your interest will be in small amounts as compared with your principal, you will meet a practical problem in investing your fifty and one hundred dollar bills at 6%. But this can be done. It can be done, for example, by buying bonds of $100 denomination or Building & Loan certificates or small par preferred stocks which may be purchased one or two shares at a time.

The Extra Trouble Is Worth While

Of course, this means a little extra work and trouble, but if you want to reach the goal of financial independence a little sooner, you will have to make up your mind that the work and trouble is worth while. If you decide you don't care to do this, then there is the savings bank where even at 4% it takes only eighteen years to double your money.

The point to recognize, however, is that a relative degree, at least, of financial independence is a practical proposition for almost any one. A very sure and practical way in which to achieve it is through investing your money sanely and having the interest compound itself. This is a very formidable weapon placed at your disposal by society for your own protection. Have you learned how to use this weapon?

Something Well Worth Knowing

At 4%,	compounded, a dollar will double itself in	18 years.
At 4½%,	" " " " " " " "	16 years.
At 5%,	" " " " " " " "	14½ years.
At 5½%,	" " " " " " " "	13 years.
At 6%,	" " " " " " " "	12 years.

Is the Minority Stockholder As Helpless As He Thinks?

WHEN great corporations go wrong what redress has the minority stockholder? If he is bold enough to protest, he is met by specious explanations and involved arguments which require the brain of a business expert to disentangle. If he is spirited enough to employ counsel, he is confronted with an imposing array of high-salaried, legal lights backed by unlimited resources.

Frequently their method is to pick a flaw in the complainant's case and get it dismissed on technicalities. Failing in this, the defense often adopts obstructive methods and by motions, pleas for delay, appeals and all the other dilatory tactics known to our ponderous legal system, endeavors to wear out the patience of the complainant or reduce his bankroll to a dimension which will force him to quit in disgust and despair. If the defense is hard pushed even bribery may be attempted and as a last resort, a settlement can usually be made before trial. Fortunately for the stockholder, instances of corporate wrongdoing are very much the exception rather than the rule.

The minority stockholder, however, is not nearly as helpless as he imagines. He is in reality a good deal like an elephant who remains stationary at the hitching post because he believes that the frail strand of rope around his leg has the strength of a steel cable. As a matter of fact, there are very definite laws protecting minority stockholders, and the courts are eager to assist the stockholder in obtaining recognition of his rights. The average individual does not know that it is possible to bring action against a corporation or its officers and directors and collect, in the event of a favorable decision, not only damages but every cent legitimately spent in forcing the issue.

A Case in Point

Only last month, Federal Judge Hugh M. Morris, sitting in the District Court of the United States for the District of Delaware, handed down a decision awarding over $3,100,000 in an action brought by a small group of minority stockholders of the Superior Oil Co. It appears that a former president of the Superior Oil Co. several years ago secretly sold 325,000 shares of that company's stock to the Atlantic Refining Co. at approximately $8 a share while at practically the identical time the Superior company was selling a block of its stock to bankers at $16 a share who in turn sold it to the public at $19 a share.

For his "efforts" in connection with the sale to Atlantic the former president of Superior took a "commission" which netted him something like 45,000 shares worth $720,000. Commenting upon this transaction, Judge Morris used about as scathing language as one ever hears from the dignified Federal bench. He said among other things:

"Yet, notwithstanding my reluctance to believe that the business acts of any apparently reputable person or corporation are done otherwise than in good faith and for an honest purpose, I am constrained by what I think to be the overwhelming weight of evidence to conclude that the transaction in question was conceived in fraud and consummated by gross deception and dishonesty."

It is reliably reported that when Mr. John D. Rockefeller, Jr., who owned about 75% of Atlantic Refining's stock, learned of Judge Morris' decision he (Rockefeller) severed all connection with Atlantic and disposed of his entire stock holdings in the open market.

The story of this sweeping victory by a small group of minority stockholders arrayed against one of the former, great Standard Oils is the story of courage, pertinacity and brains. And the major share of the credit must go to the Berenson brothers, for it was they who lead the onset and despite every obstacle maneuvered their legal infantry and artillery until the enemy was cornered and forced to succumb.

An Interesting Pair

Like the Van Sweringen brothers in the railroad world, the Berenson brothers have carved out a unique niche for themselves in the legal world. They have dedicated their legal careers to the cause of the wronged, minority stockholder. In the last few years they have won sweeping decisions against the greatest financial interests in this country. In 1920, they won the famous "New Haven case" and procured a decree of $2,500,000 against the former officers and directors of the New Haven Railroad. This bitterly fought contest lasted eight long weary years and time and again it seemed that the minority stockholders' cause would be lost. Opposed to the Berensons were a number of the country's most famous attorneys. The prodigious amount of work necessary to prepare this case is seen from the fact that the printed testimony, affidavits, depositions, etc., filled seventeen printed volumes. This case constituted one of the most spectacular victories ever attained by the minority stockholder in the history of American jurisprudence.

The Berensons are both young men. Arthur Berenson, who was the guiding spirit in the New Haven case, is forty-five years old and is a member of the Boston Bar. Lawrence, who was the directing genius in the Atlantic Refining suit, is a member of the New York bar and is barely thirty-two years of age. Outside of a dogged pertinacity which arises at time to almost genius, they are no different from hundreds of other quick thinking, ambitious young men throughout the country. They were born in Boston and are members of a family of nine children. Both received good educations. Arthur is a graduate of Boston University while Lawrence received his legal sheepskin from Harvard.

The so-called "big interests" are always on the lookout for exceptional legal talent and, as may be surmised, the Berensons have received flattering offers to hook up with big capital. They have consistently turned down all such offers, however, and insist that they have cast their lot with the minority stockholder and must keep the faith. While representing large corporations is perhaps the most profitable form of legal work that there is, the Berensons feel that there is another side to the matter which deals not with dollars but with idealism. They feel that as champions of the minority stockholder they are contributing something to the

(*Please turn to page* 645)

Judge Morris' decision in the case of Superior Oil against the Atlantic Refining Co. . . . is a stirring vindication of the rights of the minority stockholder and shows him why, under expert and aggressive legal guidance, he need have no fear of the weight of money, nor hostile legal talent, no matter how great or able!

Oil Industry Wears Shoddy Now With Ermine in Prospect

The Status and Outlook for Leading Oil Companies

AS a whole, the oil year to date, it must be admitted, has been a disappointment. The word "disappointment," however, is used relatively. From the viewpoint of actual operating results and profits thus far attained, the year has not been unsatisfactory. If the industry is able to get by the first of September without further drastic cuts in crude and refined prices, the stronger oil companies should be able to show comparatively satisfactory figures as of December 31 next.

Compared with the roseate hopes entertained by the industry at the beginning of this year, the word disappointment is a mild noun to use. One feels almost justified in dogmatically stating that in business and finance that which is foreseen by everyone seldom happens. At all events, the anticipations for 1924 have fallen far short of realization.

It will be recalled that 1924 started with the highest hopes in the industry. The great tidal wave of petroleum which inundated the industry from north central Texas and southern California in 1923, and which left a long trail of wreckage behind, had begun to recede sharply before the beginning of the year. The peak of U. S. weekly production of 2,320,514 bbls. was reached in the week of July 14, 1923, and for a couple of months production hovered slightly below peak figures. Then came two sharp dips in production followed by recoveries equally as sharp before the final long decline came which brought the weekly production figures to below the 2,000,000 bbl. mark.

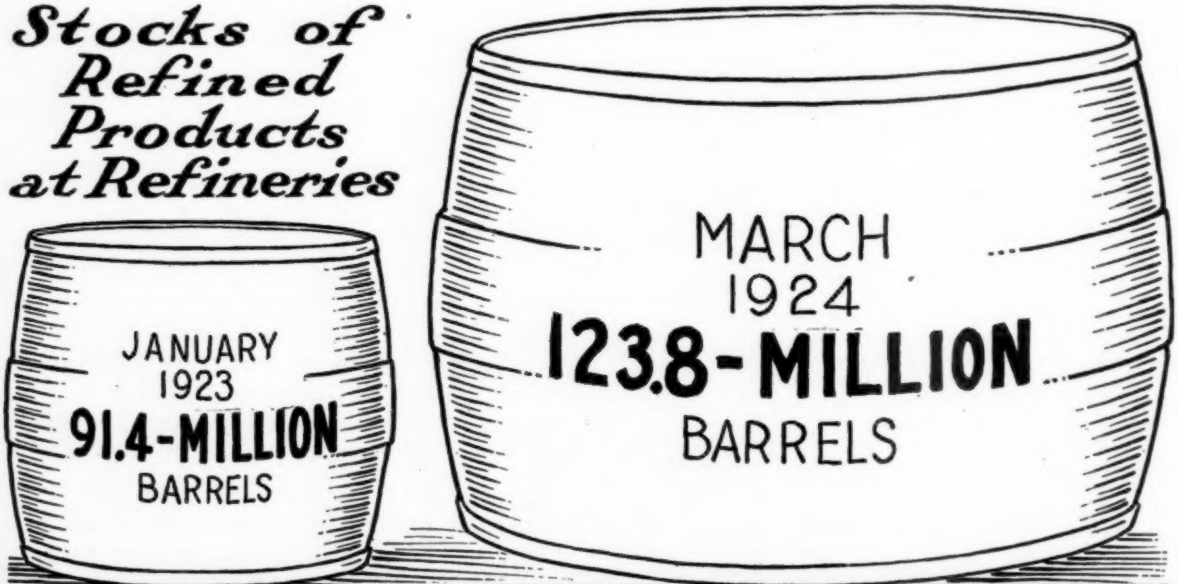
New Year's was a day of good cheer for the oil industry. In all, seven new fields had contributed to the oil deluge of 1923 with the Powell field of Texas and the Los Angeles basin field of Southern California by far the most important. The production edge was off both those fields and every indication was that they would show further declines in output, as proved to be the case. There was no new large sources of production in sight threatening to repeat the 1923 catastrophe. The Torrance-Redonda field began to show an ascending production arc in September of last year but promised nothing of major magnitude. While the possibilities of the Dominguez field had not been charted, that territory was mostly in the hands of large companies and not likely to be exploited like Sante Fe Springs, Huntington Beach or Long Beach.

The current year started, then, with the highest of expectations. Business was good, the automobile companies were laying plans for a new high record of 5,000,000 cars to be added to the 15,500,000 already in use, and it appeared that a record demand for fuel oil, gasoline and petroleum products would materialize. The most optimistic looked forward to what they firmly believed would be the most prosperous year in the history of the industry.

What Happened

Several things happened to prevent the realization of the golden dream. As usual it was the unexpected. Business took a downward slant and as the result of this and the fact that automobile dealers had largely anticipated their early 1924 wants in the last quarter of 1923, the demand for automobiles declined abruptly and there was a general curtailment in the motor manufacturing industry.

The really surprising factor, however, was the gain in crude oil production which manifested itself in the second quarter of the current year. With southern California and the Powell fields still on the downward tack, U. S. production began to climb last April and has climbed steadily ever since, slowly but surely. From a low weekly production point of 1,870,000 bbls. in January the weekly production figures made a high for the year to date of approximately 2,000,000 bbls. for the week ended July 12. This increase was not so much from new fields as from the old. The decline in southern California and Powell and the belief that over-



The Fly in the Oil Ointment

production has passed resulted in renewed drilling and opening wide the valves of producting wells. This was particularly true in the midcontinent fields where there were a large number of wells which had been drilled and closed in anticipation of the time when the improving oil situation would warrant bringing them into production.

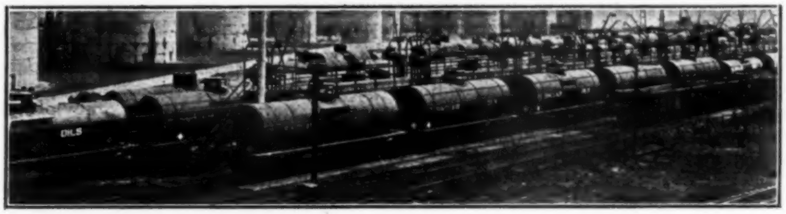
Expectations Blasted

These factors and the fact that the year started with considerable stocks of crude and refined, resulted in the blasting of the expectations of a record year from the viewpoint of earnings. The graph accompanying this article shows that with the exception of slight decreases in stocks of refined products at refineries in August, September and October of last year, the trend has been steadily upwards. As a matter of fact, with the exceptions noted, refined stocks have been increasing for the last twenty months. On the other hand we are now in the heaviest consumption period of the year and it appears that oil production and oil consumption are close to an equilibrium.

What are the immediate prospects for the oil industry? The best that can be said at this writing is that the outlook is uncertain. There are those who firmly believe that the major operation of decisive price slashing is necessary and that if it is not done now it must be done later. The price situation, however, seems to be in strong hands and the advantages of price cuts after Labor Day rather than before, are obvious.

Failure of Pro-Rating Experiment

It was the hope of the price makers of crude that they could continue the present price levels by impressing upon operators the necessity of keeping pro-



Status of Leading Companies and Important Developments Affecting Them

Atlantic Refining—Present year likely to be lean one compared with 1923 which was a poor year compared with preceding years. Recent Federal Court judgment of $3,100,000 against Atlantic a severe blow. Reported internal dissensions and that company is maintaining a less secure hold on its territory.

Buckeye Pipe Line—Pipe line runs at about the same rate as in 1923 and profits should approximate the fairly satisfactory 1923 figures.

California Petroleum—Western oil situation the strongest in the country. Prices for crude and refined relatively higher than in midcontinent fields as industry not under such pressure as exists in midcontinent. Should do well this year.

Cosden—Not so good. 1923 was unsatisfactory and little prospect for improvement this year. Carrying large inventory but apparently have missed it again in the gasoline market. Remains to be seen whether the new management will prove more shrewd or more fortunate than the old.

Cumberland Pipe Line—Position about the same as that of Buckeye Pipe Line.

Houston Oil—Showing good progress. Earnings for first half year equal to $5.30 per share after depreciation and depletion, better than expected. Still somewhat of a mystery company but there is excellent prospects for its graduation to the ranks of dividend payers.

Illinois Pipe Line—Not holding its own as well as Buckeye and Cumberland. Oil runs less than last year and considerably less than for 1922. Profits will be proportionately decreased.

Indiana Pipe Line—See Illinois Pipe Line.

Invincible—Is showing progress though not as much as expected.

Maracaibo—Coming along slowly but surely. Has minimized the risks of oil development and is in a field which seems certain to eventually attain a very large production.

Marland—Production has fallen off and it is understood that the refining end of their business is running in the red.

Middle States—Hovering on the brink of receivership but new management may be able to save the situation. Scaling down of capitalization must eventuate, it would appear. See analysis on page 551 of August 2 issue.

Mutual—Outlook very promising. Company maintaining good production, is better organized and profits for current year should show considerable improvement over last year. As the result of consolidations, company has much better market for its products.

Ohio Oil—Earnings derived almost entirely from production. Profits understood to have been very satisfactory this year. Company in financial position which allows it to store a considerable part of output in declining markets. A producing company of merit.

(Please turn to page 658)

duction down at a level where it will be readily absorbed by refiners. Meetings were held with the purpose in view and propaganda directed against new drilling was instituted, but the results attained have been far from satisfactory.

Then the pro-rating expedient was attempted by Prairie, Sinclair and others. To date this method has not met with the success looked for. Producers can make good money at current prices for crude and pro-rating merely tends to outside price-cutting by producers who find that course more profitable than reducing output. Unless producers see the light or unless consumption is large enough to take care of present output, it appears that only drastic price cuts will be the method which will force producers to keep their surplus oil underground.

The superabundance of light gravity crude is the disturbing factor in the situation. Almost all of the oil coming from the new fields and new wells is light gravity crude. The recent cut and the regrading of crude was obviously an attempt to soft-pedal this particular class of oil production, but as long as there is money to be made at current prices the outlook for a diminished supply of light crude is none too bright.

Status of Refiners

One field observer characterizes the refining situation as "chaotic." The refiners find large stocks burdensome and undoubtedly many of them are losing money at the present time. The strongly financed companies, of course, are the ones which are faring the best, but with the wholesale price of gasoline around 8c or 9c a gallon the only companies which are making money are those with very low operating costs. A continuance of the present situation will undoubtedly mean that many independents will be forced to the wall, but against that contingency may be set the hope of lesser production or increased consumption.

How One Oil Expert Sees It

The following paragraph summarizes the views of one oil expert and we present it for what it is worth.

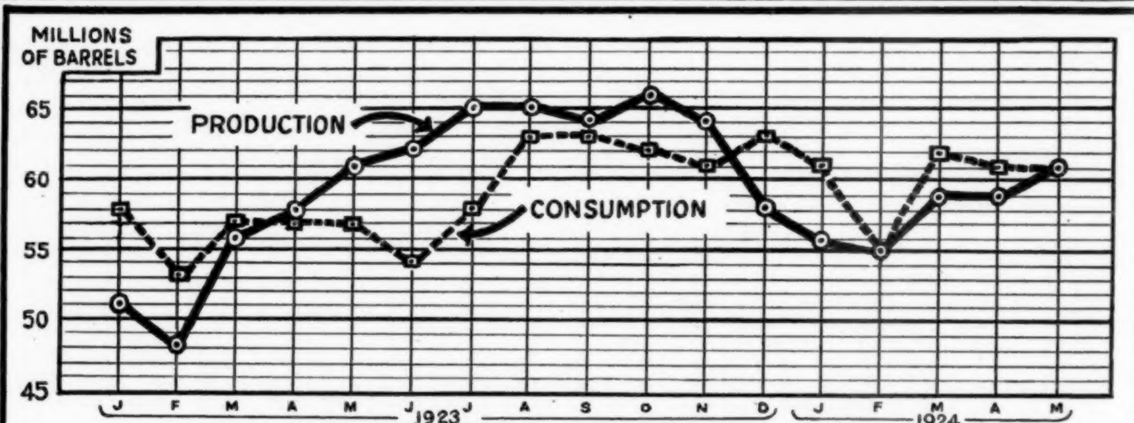
"It is my opinion that the remaining months of the year will see much lower prices for crude, gasoline and other products with the consequent result that the profits will be materially curtailed from what they were for the first six months of this year. Some companies which have a complete cycle of operations will not be as seriously affected as the ones that operate only in one or two phases of the industry, for the reason that the price to the consumer has not as yet been cut as drastically as the wholesale price and as I believe crude will eventually be cut. The Standards are making a great effort to keep up the prices to the consumer and may be able to get away with it."

The last sentence is the story in a nutshell. If the "Standards," and the term means more than that for it really refers to all the big price pace-makers, are able to "get away with it," the year 1924 should prove to be one in which the well-managed and well-financed companies should be able to show reasonable profits. The strongest will fare the best as always for in oil race like most other races and battles in life is to the strong. The race may not always be to the swift nor the battle always to the strong, but it usually is in by far the greatest percentages of cases.

Immediate Outlook

The immediate outlook for the oil industry is one of uncertainty. As to the long range outlook there can be no doubt. Petroleum and its by-products is becoming more and more a part of our daily existence. The automobile has revolutionized the life of the nation. Old uses for petroleum are growing rapidly and will continue to grow for years to come. New uses and extensions of old uses are occurring constantly. The factor of consumption can be counted upon to maintain its ascending arc. Not so with production, however. There are no great, new fields in sight in this country. Mexico, once the world's greatest producer of light crude, is now only of importance as a producer of heavy crude. Venezuela has great potentialities but its development will be slow. We are of the opinion that there will never be an "oil famine" which will be more than a temporary matter. But the uncertainties of production will continue to cause great cycles of rise and fall in the oil business. As a "prince and pauper" industry oil has displaced steel. Just at present the industry, while not in rags by considerable, is rather shiny along the seams. The prospect of ermine in the not distant future, however, is by no means a far-fetched likelihood.

We present in the table herewith a condensed summary of the status and prospects of the leading oil companies. The securities of these companies are listed either on the N. Y. Stock Exchange or N. Y. Curb Market.



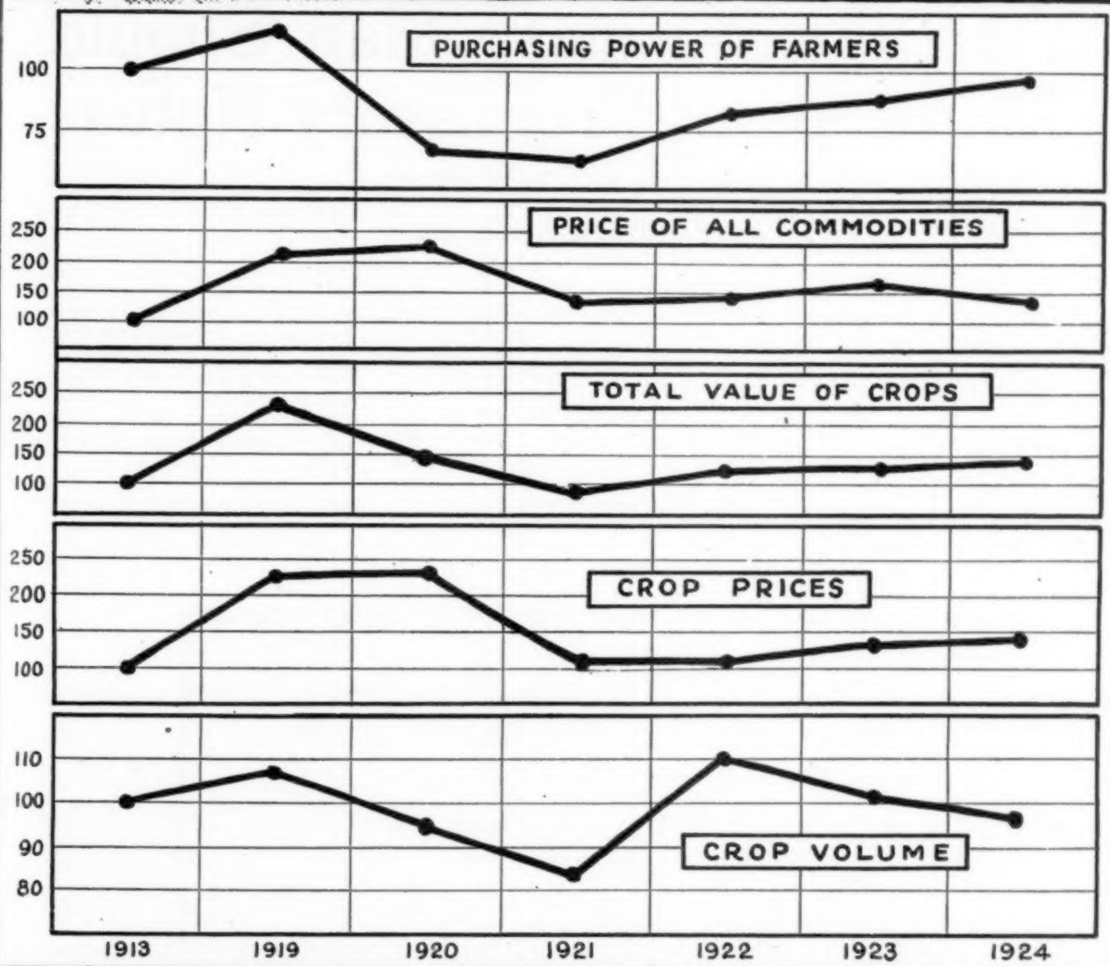
OIL PRODUCTION vs. CONSUMPTION

—BY MONTHS JANUARY 1923 - MARCH 1924—

Showing how the improvement in the oil situation, which took place in late 1923 and early 1924, has gradually been offset by the rising tide of production. Production and consumption are now about on an equilibrium but production is still increasing while consumption is at the peak of the year.

U. S. FARMERS' PURCHASING POWER BACK TO NORMAL

1913 = 100 %



THIS graph clearly indicates what is most important about the change in agricultural conditions, namely that the United States farmer, owing to the recent advance in the grains and livestock, is enjoying rapid restoration to something like normal purchasing power. An especially significant feature is that farm buying power is increasing at the same time that commodity prices have declined. The substance of this is that the farmer is receiving more for his products while he is paying less for goods in consumption. Thus, his spread between living and farm costs and prices received for his labors is widening at both ends. Having increased his purchasing power, estimated at an average for this year of about $500 per farm, the result should be witnessed in a marked upswing in industries with which the farmer does business.

Money, Credit and Business

What the Business Man Should Know About Promissory Notes

How Loss May Be Avoided

By MAHLON D. MILLER

Of The Lake Shore Trust & Savings Bank, Chicago, Ill.

A NUMBER of years ago a young man with banking aspirations was in discussion with a middle western banker of prominence, and in the course of the conversation he said:

"Mr. Banker, I wish you could make an 'honest-to-God' banker out of me?"

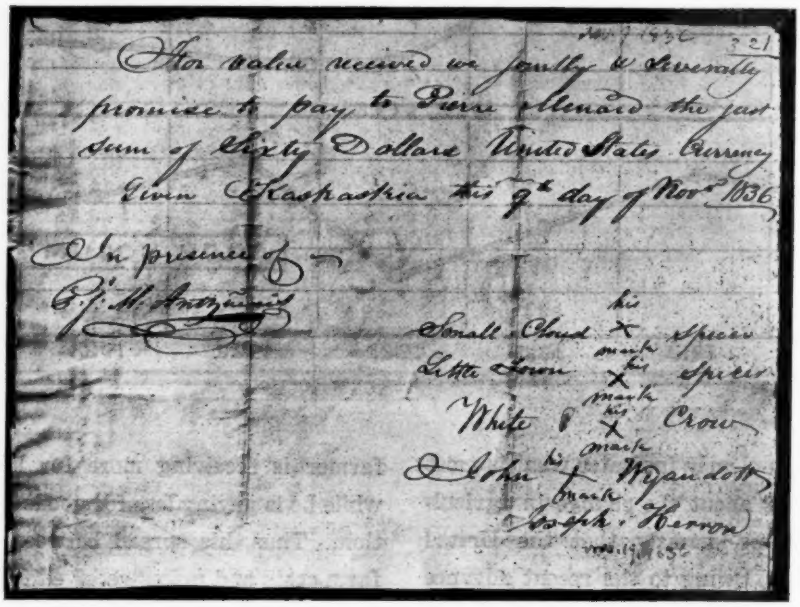
There was a profound silence, for a moment, while the eminent banker sat in thoughtful reflection, then, with a smile of reminiscence, he replied: "That's an awfully big order, but I might say, in passing, to you, what the bank examiner said to me and my associates, many years ago, when we all sat around the directors' table for the first time. "Really," he continued, "I shall never forget that first lesson."

"'Gentlemen,' said the bank examiner, 'I have here in my hand a bundle of papers. What do they represent? Nothing but promises. And that, gentlemen,' he concluded, 'is the most important thing of all to remember. The character back of these promises is everything. These notes,' said he, in finality, bringing them down upon the table with a bang, 'are mere scraps of paper without a good moral backing. Look well to your promises; see that they will be sure to liquefy at maturity'—that, my dear sir, is what I can pass on to you for what it is worth!"

Considered from a banking angle, and from that of the merchant, the character of the promisor is of primary significance; and above all, the form in which the promise is clothed.

The note, too, to be the true emblem of the promise, and to carry weight before the law must meet with certain requirements. It must completely protect, and shelter the banker-merchant from the possibility of legal embarrassment, must be so well established in its essence that even the most trying financial situations cannot shake is validity.

It is the purpose of this article to consider some of the essential factors regarding the negotiability of the note, and to point out their importance to the banker and business man with a view to encouraging a sounder basis of consideration, and a more absolute realization of the promise back of negotiable instruments.



For value received we jointly & severally promise to pay to Pierre Menard the just sum of Sixty Dollars United States Currency
Given Kaskaskia this 9th day of Novr 1836

In presence of

Small Cloud his x mark Spicer
Little Town his x mark Spicer
White his x mark Crow
John his x mark Wyandott
Joseph Herron

Specific Nature of Note Essential

Let us take first for consideration the parties who are to sign the note:

Indeed, it is a primary requisite that the instrument be specific as to all the parties. Take, for example, the note signed by a corporation representative or official, at a bank. In such instances, caution must be exercised to insure the identity, and official capacity of the signer incident to his responsibility on the note. It is for this reason that a copy of the resolutions of a corporation is always insisted upon by the safe banker, setting forth an authorization to certain individuals to sign notes, designating the bank, and outlining the scope of authority definitely.

If the resolutions are carefully consulted, and the proper parties signed on the note, there should not be any difficulty from this source. But, how about the partnership, you say? Well, here complications arise which often greatly disturb the banker and the business man. This is due to the fact that there are not, infrequently silent partners whose identity has been withheld for the sake of policy, relative to operation. Naturally, in the case of financial difficulty, the creditor banker or merchant ascertains eventually the identity of the silent, limited or other parties interested, and if they are not on the note, endeavor to get them to sign.

Experience reveals the fact that to sign up a silent partner is easier said than done; but if the banker wishes to be paid up, considerable pressure and persuasion are brought to bear to bring this about. It is for this reason that great care is exercised to insure the signing of all the partners, and this irrespective of their responsibility, as far as their financial investment in the agreement is concerned.

By consulting a retained copy of partnership agreements the embarrassment from this source can be avoided, for all the parties, and their responsibilities, as

partners, is set forth, and puts the banker or merchant on their guard as to the identity of the partners who must go on the note.

The next important factor for discussion is that of the element of "time," relative to the payment of the money.

Both the amount of money and the time of payment must be certain.

Suppose a note were made out: "Sixty days from the death of Jeremiah Smith, I promise to pay Simon Peter, Fifty dollars"? Since Jeremiah's death is not certain, as to its date, this would not be a negotiable instrument, even though the amount of money to be paid is certain.

Again, if a note is to be negotiable, the promise must be for the payment of money, by which is meant legal tender at the place of payment, and this without any connected promise conditional on the performance of some other act.

All right, you say, but, suppose the merchant has a note drawn out, and made payable out of a particular fund, what then?

The answer is that such a note would not be negotiable. It must be drawn on the general credit of the drawer, although there is no objection to a specific fund set forth, so long as the person holding the note may look to the general credit of the drawer if the specific fund be insufficient.

Perhaps one of the most interesting factors entering into the note is that of the sufficiency of the promise. What is sufficient promise in a note? That is the question.

It has been the writer's experience as an attorney, to observe some egregious instruments, some of them made upon the spur of the moment in odd situations and in unusual circumstances.

Suffice to say that it is the intent of the maker to pay, as revealed in the instrument, which is the gist of the promise. There have been some crude notes produced in court as exhibits in lawsuits which, from a cursory glance, would hardly hold water; but, when construed as to the intention of the drawer, proved to withstand attack, and in many cases involving huge sums of money.

Experience reveals the fact that a creditor who is in possession of a letter from a debtor, acknowledging debt, often believes he has a negotiable instrument, and that the same can be construed as a promise. He finds to his sorrow that in the eyes of the law such an acknowledgment is not enough to grant him a favorable hearing before a court of competent jurisdiction.

Comment has already been made about the character of the promisor or promisors; but how about the nature of the promise, itself, you ask? There are all kinds of promises, you say; but if a promissory note is to be negotiable it must be one in which there is an unconditional promise set forth.

Of all the words in the alphabet, if, but, and perhaps, indicate the possibility of a contingency.

Now, suppose a merchant signed notes, as follows:

"I promise to pay X $1,000,000, payable when A marries."

Again: "Payable when A's ship returns," and another:

"Payable when A is twenty-one."

It can be seen that owing to the contingency, and to the uncertainty as to the event in all these cases, that the notes would not be payable, absolutely at a certain time, and for this reason the notes would be non-negotiable. However, if payment was made to take effect upon the death of A, the fact that the event was certain to happen, even if not certain as to time, it is held in some jurisdictions, that such a note would be legal, and good.

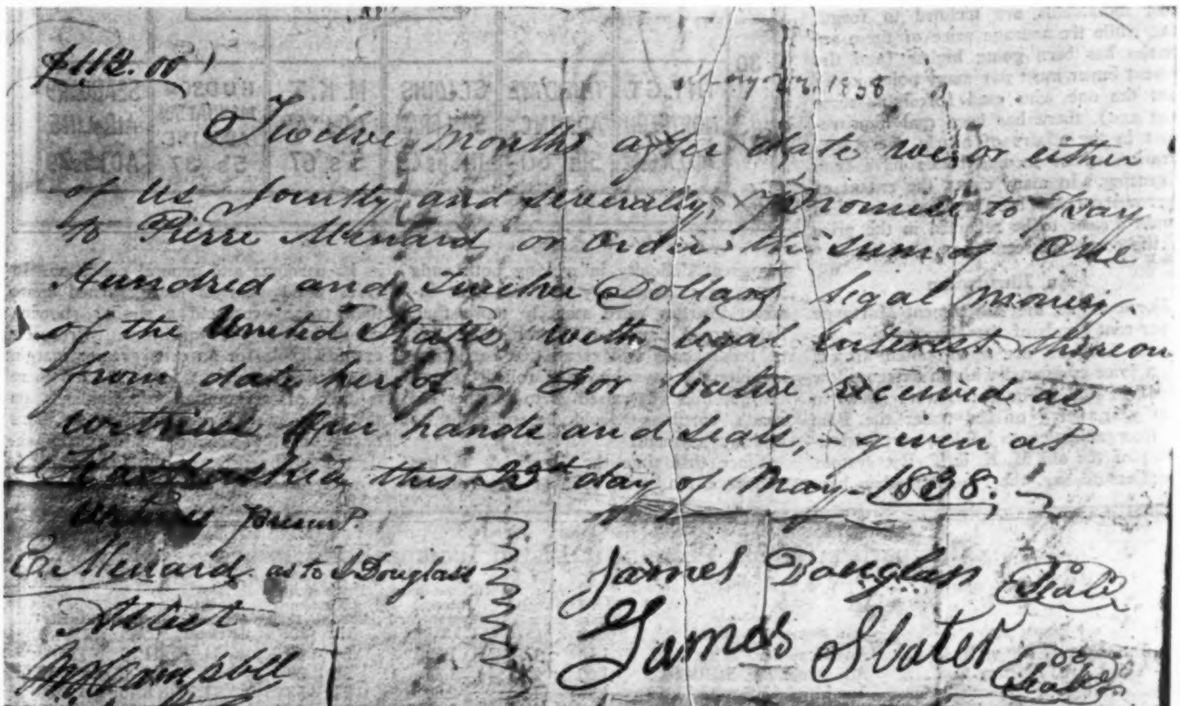
From time immemorial, one of the most intricate questions relative to the validity of a note is: What is necessary to render an instrument negotiable?

The words of negotiability must be express; they are usually, "or order" or bearer." But these words are not exclusive, and it is sufficient if the intention of parties to make it negotiable can be gathered from the terms of the contract.

It is worth while mentioning, at this point, the importance of consulting the statutes in the different states, relative as to what constitutes negotiability. Experience reveals the fact that certain of our states have deviated from the common law, and make certain instruments nego-

(*Please turn to page* 657)

The accompanying two facsimiles are interesting examples of the crude methods employed in the early part of the last century.


$112.00 May 23 1838

Twelve Months after date we or either of us jointly and severally, promise to pay to Pierre Menard, or Order the sum of One Hundred and Twelve Dollars legal money of the United States, with legal interest thereon from date hereof. For value received as witness our hands and Seals, - given at Kaskaskia this 23rd day of May 1838.

Witness present

P. Menard as to J. Douglass

Attest

W. Campbell

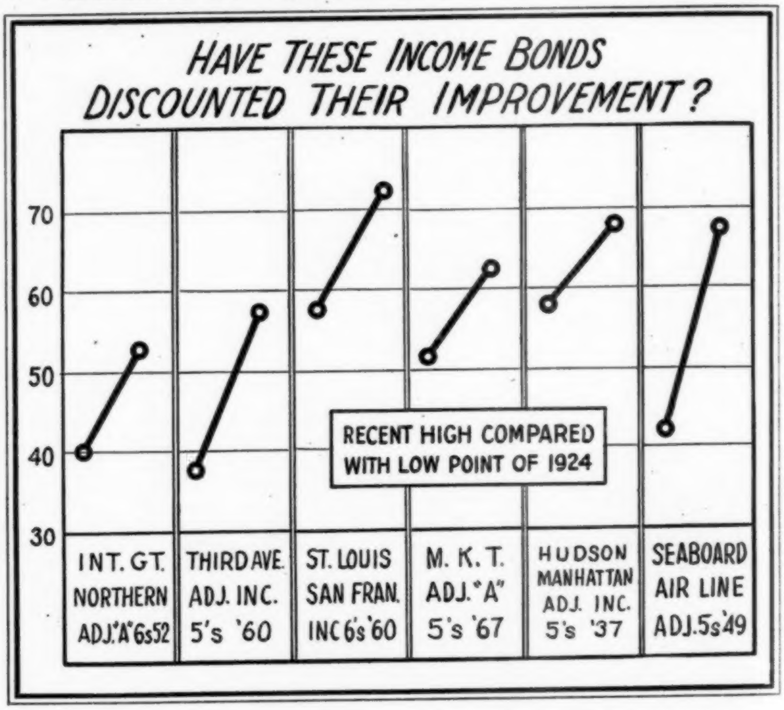
James Douglass (Seal)

James Slater (Seal)

Oct 26. 1838

Those New High Levels for Income Bonds

Do Listed Income Bond Issues Still Contain Possibilities for Enhancement?



ALONG with many other bonds of more or less speculative grade, the so-called "income" issues have had quite a rise in market value during the past few months. Practically all those listed on the New York Stock Exchange are now selling around the highest prices ever recorded which in itself would seem to be enough to induce the average holder to sell out and place his funds elsewhere—before a decline sets in and wipes out his speculative profit.

Much has evidently been discounted by the recent market advance, but it is still apparent that the income bond group is not entirely without possibilities. While the trader in bonds who desires to take a profit on his holdings may be justified in doing so, one could not hope for a better return on invested capital in comparison with the risk involved in holding several income bonds even at present levels. Most individuals are inclined to forget that, while the average price of these securities has been going higher (and the present buyer must pay many points more than the one who used foresight—some time ago), there has been real improvement in the affairs of nearly every corporation whose income bonds have been advancing. In many cases, the extent of improvement has been even greater than would appear to be reflected in the price of the corporate securities.

An Illustration

For example, the Adjustment Mortgage 5 per cent bonds of the *Missouri-Kansas-Texas Railroad* are now quoted around 62, a price compared with an extreme low of 41 in 1921. The bonds were issued in that year, being offered under the Plan of Reorganization to holders of the securities of the old M. K. & T. Ry. system. Needless to say, the road was then having great difficulty in making both ends meet, as evidenced by the fact that interest charges were scarcely more than half earned during 1920. Many holders of these bonds will recall that each time an interest payment date rolled around the question was raised as to whether the road's earnings would be sufficient to allow a payment.

Since that time the M. K. & T. has shown a really remarkable improvement in its earnings and general condition. In 1922, fixed charges were earned more than twice over and a similar showing was made in the past year. Prospects are favorable for an even greater margin of safety in earnings for 1924, and there is talk of resumption of dividends on the company's 7% preferred stock. This change in the situation is naturally reflected in the price of the income bonds

(*Please turn to page* 654)

Comparison of Six Prominent Listed Income Bond Issues

Company	Name of Security	Fixed Charges Times Earned 5-yr. av.	Fixed Charges Times Earned 1923	Income Bond Interest Times Earned 1923	Price Range of Income Bonds—1924 H.	Price Range of Income Bonds—1924 L.	Recent Market Price	Current Return %	Yield to Maturity %
Int.-Great Northern R. R. Co.	Adj. Mtge. Ser. "A" 6s, 1952	1.16	1.94	1.30	54	40	54	11.10	11.60
Third Ave. Railway Co......	Adj. Mtge. Inc. 5s, 1960...	1.60	2.05	1.35	58	39	* 57	* 8.90	* 9.10
St. Louis-San Francisco Ry. Co..	Inc. Mtge. 6s, Ser. "A," 1960	1.70	1.90	2.00	71	58	71	8.40	8.60
Missouri-Kans.-Tex. R. R. Co...	Adj. Mtge. S. "A" 5s, 1967	1.47	2.13	1.88	62	51	62	8.00	8.20
Hudson & Manh. R. R. Co...	Adj. Inc. Mtge. 5s, 1957...	1.86	2.39	1.85	68	58	67	7.40	7.80
Seaboard Air Line Railway...	Adj. Mtge. 5s, 1949.....	1.12	1.33	1.60	67	43	67	7.4	8.10

* Also 20¼ per cent due in the form of accumulated interest.

IMPORTANT CHANGES IN BOND BUYERS' GUIDE

THE ease in money rates continues to be reflected in the bond market. With time funds loaning on around a 3% basis, it was only natural that the Government issues should reach new high levels. High-grade rails, utilities and industrials were firm, but, as predicted in these columns, the greatest appreciation was shown in the middle-grade and speculative issues. While changes in prices of gilt-edge bonds were, with rare exceptions, of a fractional nature, many two and three-point gains in the balance of the list were realized, as will be seen by higher quotations now ruling for such issues as Western Pacific 5s, California Petroleum 6½s, Wilson & Company 6s, U. S. Rubber 5s, etc.

Readers will note that we have eliminated the list of short-term notes. These are now selling on a 5% or lower basis, and, although they may be attractive to banking institutions with a surplus of loanable funds, at present levels, they do not appear to be so to the outside investor. Among high-grade issues we have added the Chicago & Northwestern 7s of 1930, which still return 5½%, and the Indianapolis & Louisville, 1st 4s of 1956, selling on a 5.75% basis to maturity. This bond covers important mileage. It is guaranteed by the Chicago, Indianapolis & Louisville Railroad, which is affiliated with the Louisville & Nashville, and serves an important coal territory.

Holders of the Bush Terminal Buildings 5s, which were introduced in these columns when they were selling at 85, and now return only 5.20 to maturity, can increase their income by transferring to the New York Dock first 4s, an equally high-grade issue, yielding 5.55% on basis of present market prices.

In the middle-grade division, we have added the Boston & New York Air Line 4s, still selling on a 6¼% basis to maturity. This covers by first mortgage a portion of the New York-Boston through rail route of the New Haven. The Baltimore & Ohio 4½s of 1933 and refunding 5s of 1995, still sell to return practically 6% and appear out of line with the market. Doubtless holders of the prior lien divisional issues maturing next year will be offered the 5s on an exchange basis, but, with the outlook for continued comparatively low money rates, it is unlikely the offer will be on a more favorable basis than afforded by the present market, although it is the probable exchange offer which is acting as a deterrent to higher prices for these refunding 5s.

Among public utilities, we feel the Ohio Public Service 7s are deserving of consideration, as well as the Manitoba Power Company 7s. The latter are guaranteed by the Winnipeg Electric Railway Company, whose earnings cover all interest obligations by a good margin. Among the rails, the Seaboard Air Line first 4s have advanced to a practically 6% basis. The good earnings of the Seaboard warrant the price, but, from the speculative standpoint, the Wheeling & Lake Erie consolidated 4s, selling almost five points lower, returning 6.65%, are preferable.

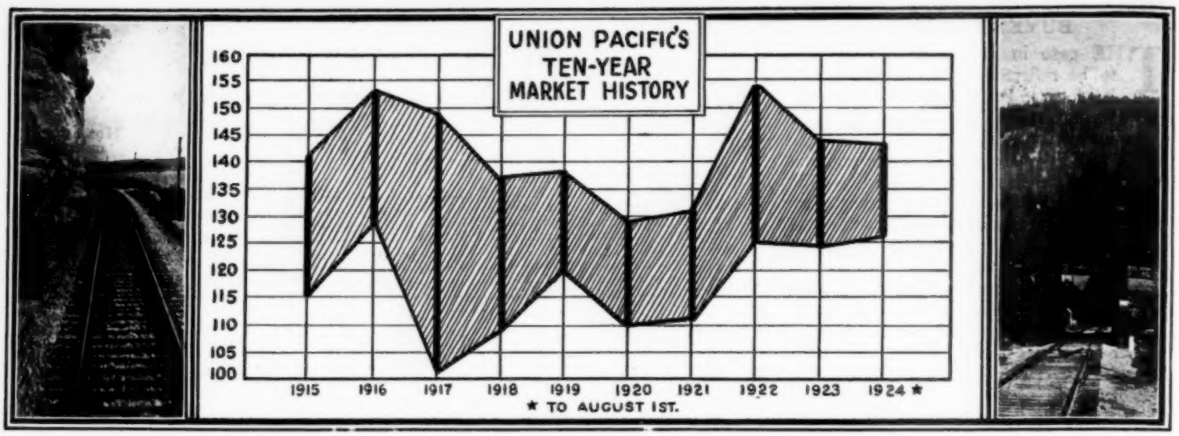
BOND BUYERS' GUIDE

(Bonds listed in order of preference)

		Apx. Price	Apx. Yield	§Int. earn'd on entire funded debt
HIGH BRADE (For Income Only)				
Non-Callable Bonds:				
Great Northern Genl. 7s, 1936	(c)	109¾	5.95	2.85
Atlantic & Danville 1st 4s, 1948	(a)	78	6.00	....
Indianapolis & Louisville 1st 4s, 1956	(a)	75	5.75	e 1.75
Western Union Telegraph Co. 6½s, 1936	(a)	111½	5.50	c 6.85
New York Edison Co. 6½s, 1941	(b)	112	5.50	3.30
Chicago & Northwestern 7s, 1930	(b)	107¾	5.50	1.80
Delaware & Hudson 7s, 1930	(b)	109½	5.40	2.10
New York Dock Co. 4s, 1951	(a)	78½	5.55	2.70
Callable Bonds:				
Armour & Co. Real Estate 4½s, 1939	(a)	86½	5.90	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953	(c)	95	5.85	1.41
Philadelphia Company 6s, 1944	(c)	103½	5.70	3.50
Canadian General Electric deb. 6s, 1942	(a)	105½	5.60	g 2.80
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Cuba R. R. 1st 5s, 1952	(a)	83½	6.30	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	71	6.25	1.25
Western Pacific 1st 5s, 1946	(c)	92	5.60	2.40
New York, Ontario & Western 4s, 1992	(a)	65	6.20	2.00
Erie & Jersey 1st 6s, 1955	(a)	101½	5.90	1.50
Baltimore & Ohio Convertible 4½s, 1933	(b)	89½	6.00	1.35
Baltimore & Ohio Rfd. 5s, 1995	(b)	85½	5.85	1.35
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	86½	6.00	1.10
Boston & New York Air Line 4s, 1955	(a)	60	6.25	....
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	90	5.75	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.00	1.50
Rutland R. R. 1st 4½s, 1941	(a)	85	5.90	1.75
Chesapeake & Ohio conv. 5s, 1946	(b)	103	4.75	1.68
Industrials:				
South Porto Rico 1st Mtg. and Co. 7s, 1941	(b)	102½	6.70	2.20
Wilson & Co. 1st 6s, 1941	(a)	99½	7.10	1.35
Sinclair Pipe Line 6s, 1942	(b)	84	6.50	g 2.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	116½	6.50	4.00
California Petroleum Corp. 6½s, 1933	(c)	100	6.50	4.80
International Paper Co. 5s, 1947	(a)	87	6.15	3.50
U. S. Rubber 5s, 1947	(c)	84	6.30	2.05
Bethlehem Steel Co. 5s, 1936	(a)	87¾	6.50	f 2.30
Computing, Tabulating & Recording 6s, 1941	(b)	100	6.00	5.50
Armour & Co. of Del. 1st 5½s, 1943	(c)	91½	6.25	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	97¼	6.20	g 1.25
Union Bag & Paper Co. 6s, 1942	(b)	96½	6.35	f 4.40
Public Utilities:				
Manhattan Railway Cons. 4s, 1990	(a)	61¾	6.55	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	93	5.90	2.40
Ohio Public Service 7s, 1947	(c)	107	6.40	f 2.00
United Fuel Gas 6s, 1936	(b)	97	6.35	e 2.70
Virginia Railway & Power 5s, 1934	(a)	92¼	6.00	2.00
Hudson & Manhattan Refunding 5s, 1957	(c)	95½	6.30	2.60
American Gas & Electric 6s, 2014	(c)	87	5.90	2.00
Kansas Gas & Electric 6s, 1952	(b)	98	6.15	1.80
Havana Elec. Ry. Light & Power 5s, 1954	(a)	85½	6.00	5.00
Montreal Tramways 5s, 1941	(c)	93	5.60	g 1.25
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	89¾	5.75	c 4.70
Commonwealth Power Corp. 6s, 1947	(c)	95	6.40	4.50
Dominion Power & Transmission 1st 5s, 1932	(a)	93	6.00	2.10
Manitoba Power Company 7s, 1941	(c)	100	7.00	....
SPECULATIVE (For Income and Profit)				
Railroads:				
Erie Genl. Lien 4s, 1996	(b)	64¾	6.25	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1959	(c)	79½	7.75	1.25
Wheeling & Lake Erie Cons. 4s, 1949	(a)	68	6.65	1.25
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	61½	8.30	1.10
Chicago Great Western 1st 4s, 1959	(a)	56¼	7.60	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	63¾	7.00	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	83	6.60	....
Industrials:				
Cuba Cane Sugar 7s, 1930	(c)	96¾	7.70	2.15
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	94½	8.20	2.30
International Mercantile Marine 6s, 1941	(b)	87½	7.30	2.50
American Agricultural Chemical Co. 7½s, 1941	(b)	92	8.40	....
Public Utilities:				
Brooklyn-Manhattan Transit 6s, 1968	(c)	82¼	7.35	f 1.50
Chicago Railways 1st 5s, 1927	(a)	78½	15.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	66	7.90	2.00
Interboro Rapid Transit 5, 1966	(a)	70	7.30	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	59½	7.10	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. § This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.



World's Greatest Railroad Investor

The Scope of Union Pacific's Investment Holdings—Is the Stock Still Attractive After Its Recent Advance?

By JOSEPH M. GOLDSMITH

THE Union Pacific system is one of the largest railroad properties in the country. Its lines extend westward from Kansas City and Omaha to Los Angeles and Seattle. It possesses two lines of its own to the Pacific Coast and in combination with the Central Pacific, with which it connects at Ogden, Utah, forms the shortest route to San Francisco. The system has been greatly improved in the last twenty years so that today it is physically one of the finest railroad properties in the United States. There is no road which occupies a stronger financial position.

Because of the broad territory which its lines serve the Union Pacific enjoys a well distributed traffic. It reaches the great wheat and lumber country of the Northwest. It obtains its share of the citrus fruit business originating in California, and this industry has advanced by leaps and bounds in the past decade. It penetrates the important mining and iron and steel section of Colorado, which might properly be termed the "Pittsburgh of the West." The wheat fields of Kansas and Nebraska are also adjacent to the Union Pacific lines.

A Huge Investment Trust

Besides holding a predominant position among the railroads of the west, the Union Pacific is the owner of large blocks of securities of other railroads. On December 31, 1923, its investments in affiliated and non-affiliated companies amounted to the tremendous sum of $245,161,000. This is an amount greater than Union Pacific's total common stock. *The purchaser of a share of Union Pacific buys an interest not only in the profits of that particular road, but also in the interest and dividends which it receives from numerous other railroads.* As Professor Ripley described it, the Union Pacific is not only an operating property, but "possesses an enormous reservoir of investment in outside properties."

Origin of Investment Holdings

Although many other railroads hold securities of other companies with which they have no connection, none do it on the same scale as the Union Pacific. Many of course hold a controlling interest in another road which has been acquired for the purpose of securing advantageous traffic arrangements.

The Union Pacific has stocks and bonds of roads with which it has no physical connection, and a voice in whose management is of virtually no value to it. What then is the explanation of these immense outside holdings most of which date back about fifteen years?

In 1901, Harriman, who was then directing the affairs of the Union Pacific, attempted to wrest control of the Northern Pacific from the Hill interests by securing a majority of its stock. He did not want the Northern Pacific, but by controlling it he would have a half interest in the Chicago, Burlington and Quincy, which he very much desired. This fight for control was the direct cause of the financial panic of 1901, when Northern Pacific rose to $1,000 per share and speculators who had sold it short suffered tremendous losses.

Harriman was not successful in obtaining control and the stock which had been bought was deposited with the Northern Securities Company which had been organized to hold the stock of the Northern Pacific and the Great Northern. The Supreme Court a few years later ordered the dissolution of this holding company on the ground that it violated the Sherman Anti-Trust Act. The Union Pacific received as its share in the distribution large blocks of Northern Pacific and Great Northern stock.

In neither of these companies did it have a controlling interest. In the great bull market of 1906, when the prices of these two stocks were very high, the Union Pacific disposed of its holdings at a profit which has been conservatively estimated at 51 millions. Bonds had been floated to obtain the money with which to purchase the Northern Pacific stock. Either these bonds had to be paid off with the proceeds or else they had to be reinvested. Since the bonds bore a low rate of interest and higher returns could be obtained on other securities the latter course was followed.

Between June 30, 1906, and March 1, 1907, with the money realized from this liquidation about 130 millions worth of stocks and bonds of other railroads were purchased. From time to time other purchases have been made as surplus revenues were available. It is in this way that the Union Pacific has come to be one of the largest holders of railroad securities.

Stocks Owned

The Union Pacific's largest investment in any single company is that which it holds in the Illinois Central. It owns $22,500,000 of its common stock and took advantage of the rights to subscribe to that company's new issue of preferred stock, which was issued during the last two years. It consequently holds $4,000,000 of the latter issue. In addition, the Railroad Securities Company whose entire capital stock is owned by the Union Pacific, owns $9,200,000 of Illinois Central common and $1,840,000 preferred. In other words, the Union Pacific's investment in Illinois Central totals $38,040,000 par value. *The market value of this stock is 10% in excess of this figure.* Illinois Central's total stock capitalization is only $13,176,000 so that Union Pacific controls 29%.

Its interest in New York Central con-

sists of $21,000,000 of that company's capital stock. There is $300,000,000 outstanding, so that Union Pacific's proportion of the total is relatively small. Still when New York Central increased its dividend from 5% to 7%, it made a difference to Union Pacific of $420,000 per annum.

Union Pacific also has in its treasury good-sized blocks of Baltimore & Ohio, Chicago, Northwestern and St. Paul. Its investment in Chicago & Alton was very large, consisting of $8,417,000 of 6% bonds and $10,344,000 of its preferred stock. The bonds are still carried among its assets, but last year the stock was written off as a complete loss. This has been one of Union Pacific's few unfortunate ventures.

Besides these outside holdings there are large sums invested in affiliated companies. The largest is that in the Pacific Fruit Express, 50% of whose stock it owns. This company owns the refrigerator cars in which the fruit grown in California is transported. It has $24,000,000 of stock outstanding and in 1923 paid $8,400,000 in dividends, one half of which found its way into the Union Pacific's treasury.

Bonds Held

The Union Pacific is a larger holder of bonds than of stocks. On December 31, 1923, it was the owner of $15,777,000 notes and equipment trust certificates of affiliated companies, and $91,858,000 in other companies. These investments are very widely distributed. Among them are obligations of most of the importantrailroads of the country

The company also owned on that date United States Liberty Bonds and Treasury Certificates amounting to $38,310,000. The latter are not included on its balance sheet as current assets, but can be converted into cash at a moment's notice and as a practical matter should be so regarded. This places the company in an extremely strong current position, for including these government bonds the net working capital is about $55,000,000. *Many of its other investments could also be realized upon, so that the Union Pacific's liquid position is unparalleled among large railroad companies.*

Income from Investments

Although not in name, the Union Pacific is in actual fact a railroad without fixed charges. Ordinarily a railroad stockholder can figure that at least 10% of the gross revenues which his property takes in must be used to pay bondholders. When he considers that almost 85% of gross revenues are needed for operating expenses and taxes the surplus available for him is not very large. The Union Pacific presents a totally different position.

In 1923, *its income from investments was* $17,513,566. *It was just a little more than sufficient to pay all fixed charges, including interest on its bonds, rents and other charges. Thus with a funded debt of* $413,586,000, *we can say, paradoxical as it may seem, that from the stockholder's standpoint there is really no bonded debt.*

Not one dollar of the revenues derived from its own operations were required for interest charges. The entire net income from transportation is available for the company's preferred and common stocks. In this respect the Union Pacific occupies a unique position among railroad companies.

Investments of Union Pacific System

(December 31, 1923)

SECURITIES OWNED IN NON-AFFILIATED COMPANIES

Company	*Par Value*
Baltimore & Ohio:	
Common	$3,594,000
Preferred	1,806,000
Chi. & N.W. com	4,420,000
Chi. M. & St. Pfd	1,845,000
Illinois Central:	
Common	22,500,000
Pfd.	4,500,000
N. Y. Central	21,000,000
Railroad Securities Co.:	
Common	3,486,000
Pfd.	1,937,000
Misc. R. R. Bonds	91,858,000
U. S. Liberty Bonds & Certificates	38,310,000
	$195,256,000

SECURITIES OWNED IN AFFILIATED COMPANIES

Company	*Par Value*
Pacific Fruit Express	$12,000,000
St. Joseph & Gr. I. Ry.:	
Common	4,572,000
1st Pfd.	5,361,000
2nd Pfd.	3,436,000
Union Pac. Coal Co.	5,000,000
Misc. Stocks	3,759,000
Bonds, Notes and Equipment Trust Certificates	15,777,000
	$49,905,000

Total Affiliated Companies	**$49,905,000**
Total Non-Affiliated Companies	**195,256,000**
GRAND TOTAL	**$245,161,000**
1923 Income from Investments	**$17,513,000**
1923 Interest on Funded Debt	**17,251,000**

Funded debt interest and other fixed charges more than covered by interest and dividends on investments. This is a little better than the average record.

UNION PACIFIC EARNINGS RECORD

	Earnings per share	Dividends Paid
1914*	$14.19	$12.00
1915*	10.99	8.00
1916	17.64	8.00
1917	16.89	11.50
1918	18.64	10.00
1919	17.19	10.00
1920	14.52	10.00
1921	12.29	10.00
1922	12.75	10.00
1923	16.17	10.00
1924†	16.00	10.00

* Years ending June 30th. † Estimated.

Dividend Record

The dividend on Union Pacific preferred is covered by such a wide margin of safety that this issue is one of the highest-grade investments. Income is normally ten times the amount required to pay 4% on the slightly less than $100,000,000 par value of preferred outstanding. It is currently selling at 75 at which price the yield is 5.40%. Fluctuations in the price are the result of variations in the general level of interest rates rather than any change in the road's earnings.

The Union Pacific has the distinction of paying the highest dividend rate on its common stock of any large railroad company in the United States. The Canadian Pacific is the only other road of any size that pays as much as $10 per share. The Union Pacific has maintained this rate since 1917. With the exception of the years 1915 and 1916 this dividend has been paid in every year since 1907. This record shows the great stability of the company's earnings and the liberal dividend policy its management has followed.

As explained before, the main reason for Union Pacific's ability to keep up payments at this high rate is the income from the lucrative investments that it holds.

(Please turn to page 650)

What the News Means

~ Timely and plain-spoken interpretations of the important financial happenings of the day ~

FOR the last sixty days stocks have advanced almost uninterruptedly. The market is now higher on average than at any time since 1919. Why? There are a number of reasons. To attempt to answer the question by the vague statement that the "big interests" are putting up the market to elect Coolidge is not only to beg the question but also to show an ignorance of the factors which control security price movements. There can never be a sustained and broad upward movement in stocks unless that movement is based upon sound, constructive economic factors. The so-called "big interests" can and do at times exert an influence upon economic factors but they cannot make nor control them. Among the chief reasons why the market is advancing are the following: a general belief that the next President, whether it be Davis or Coolidge, will do nothing to disturb the business structure, prospects for an early settlement of European difficulties, the great "come-back" in agriculture and the prospects for long continued agricultural prosperity, revival in business, the renaissance of the railroads and last but not least the great supply of cheap money.

ON the front page of a daily financial publication there recently appeared an interview with **George F. Baker,** head of the First National Bank, which quotes Mr. Baker as saying:

"I knew nothing about the proposed railway consolidation between Nickel Plate, Erie and Pere Marquette until you told me. I have no appointment to meet the Van Sweringens because I know nothing about the situation, having been away two months in the woods. I am in favor of certain railroad consolidations because they would be beneficial to the country by cutting down overhead."

The interview was on a Tuesday. The next day Baker and the Van Sweringens got together and the article which gave the Baker interview from which the excerpt is quoted above, bore the caption: "G. F. Baker and the Van Sweringens Confer."

Simply another case of the "technical denial." We surmise that if Mr. Baker had really said what was in his mind his remarks would have run something like this:

"The Van Sweringens are handling the merger matter and as I have been away for a couple of months I don't want to say anything until I hear from them and get first hand the latest developments. Naturally it will be necessary to obtain my consent and cooperation to put Erie into their merger as I am the largest individual stockholder and they can do nothing without me. While I have no actual appointment I expect them to come to see me shortly when we will get down to business. I am in favor of consolidations because I think they are economically sound, but the matter of price, i. e., the basis of exchange of consolidation securities for Erie securities, is of paramount importance and the merger cannot be accomplished until that matter is settled."

Just why Mr. Baker couldn't have made a frank statement of the situation instead of the meaningless and evasive remarks with which he is credited, is difficult to understand. Perhaps it is because George F. Baker belongs to the old school, yearly growing less, fortunately, which believes that words are made to conceal thought, and does not care to learn new methods.

It is reported that German steel interests are selling light rails and bars at a price under the domestic price delivered at New York. On face, this seems a very important development but upon analysis it is learned that German ability to manufacture and ship steel to U. S. markets is limited to comparatively small volume and that in any case it only affects producers near the Eastern seaboard. This would mean Bethlehem and several minor com-companies but even here the imports of German steel would probably not affect even as much as one per cent of the business done by these companies. The Steel Corporation itself is not touched in the slightest by this development. We are not in danger of losing business to foreign steel manufacturers. In fact, our steel exports are and have been for years in excess of imports.

THERE are some who profess to be able to read between the lines in the recent report that the **American Sugar Refining Company** has sold the balance of its holdings of Great Western Sugar Company stock. Last year American Sugar Refining sold 88,200 shares of this stock issue which it had previously bought supposedly for permanent investment and the balance of its holdings were given at 105,984 shares. At current market prices this last disposal should add at least 10 milllion dollars cash to the company's treasury, but will of course reduce the value of its fixed assets to a like extent. It is said that the company needs this additional cash for the proper conduct of its business.

While on the surface the company's balance sheet does not indicate a need of cash at this time, the continued sale of a valuable asset certainly is a matter of importance. As a usual thing such action is to be considered as an unfavorable omen.

IN another part of this issue of THE MAGAZINE OF WALL STREET, the reader will find an analysis of conditions in the **fertilizer** industry, in which reference is made to the current low prices for fertilizer. It is also mentioned in the same article that low prices constitute the most unsatisfactory condition existing in the industry. Thus, the fact should be doubly significant that manufacturers in the Baltimore district have just announced a $10 per ton increase on acid phosphate and fertilizers, this being the first of such increases in the last three years. More increases are expected to follow.

It would seem to indicate that the industry has at last turned the corner and is headed towards better things including a wider profit margin.

BETWEEN undervaluing of corporate assets and overvaluing there can be no question as to which is the less evil. Perhaps undervaluing would not be classed by the harsh word "evil" by a stockholder who woke up one day and found his securities worth far more than he thought for his feelings would be like those of one who finds an unexpectedly heavy bank balance to his credit.

Through its very liberal depreciation policy the **United Fruit Company's** balance sheet does not give any basis, apparently, for the high price at which the company's stock sells. The company follows the policy of writing 15% off the value of its ships each

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The Federal Reserve warning to the effect that the battle is on between the dollar and the pound sterling for the financial supremacy of the world is timely. The question is whether we are to be supreme financially speaking or revert to the status of an adjunct of London. Who will be the world's bankers when the inevitable demand sets in for international loans? When it is considered that the banking center of the world will control a good deal of the world's trade, the battle between the dollar and pound sterling becomes of great significance. Fortunately, our bankers are alive to the situation as witnessed by the Federal Reserve pronouncement and we are not likely to lose without exerting the fullest effort to avoid such a situation. We were in fact never more favorably placed to secure our share of the world's trade.

DAWES—
Author of plan which has been adopted as basis of economic overhauling of Germany

year so that at the end of seven years a ship stands on the books at $1 and may at the same time have a real value of several hundreds of thousands. The same liberal depreciation policy is followed in connection with other fixed assets. But looking at the matter from the point of view of reported assets over liabilities it appears that the stock sells in the open market at a fantastically high figure. To a stockholder thoroughly conversant with the company's affairs this seeming mystery is perhaps no mystery at all. But it is very likely to puzzle and mislead a prospective investor. After all the true function of a balance sheet is to reveal and not conceal.

HOLDING companies reports, too, often conceal rather than reveal. The **American Window Glass Machine Company,** for example, is a case in point. The stock of this company is listed on the Pittsburgh Stock Exchange. Through patents, which it leases to its subsidiary operating company on a royalty basis, the subsidiary company does a very large business. Income from the royalities received by the holding company is sufficient to justify 6% regular dividends and 1% quarterly extra dividends, or at the rate of 10% per annum. A true picture of the holding company, however, can only be obtained in conjunction with a picture of the operating company. Earnings of the latter are equivalent to about $20 a share on the common stock of the holding company. Why then is the stock of the holding company, paying 10% and with very large equities in the earnings of the operating company, selling as low as 87? Is it because the present building boom is regarded as transitory or because the stock of the holding company is not yet considered a seasoned investment Obviously the stock of the holding company is too high or too low at current prices. Balance sheets do not afford the answer. The investor must delve deeper.

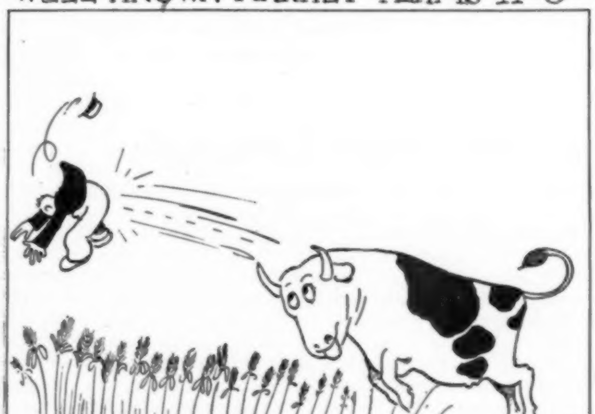
INVESTORS sometimes make the mistake of laying too great emphasis on current earnings. A case in point is **Rock Island** whose earnings so far this year have been rather poor, yet the various issues of the road have advanced sharply. Obviously, they have not advanced on the earnings situation even though some improvement there may be expected before the end of the year. The fact seems to be that a merger is in prospect between Rock Island and Southern Pacific and this is laying the basis for speculative activity in these stocks. It looks as if the merger will be completed within a half year or in the early part of 1925.

THE volume of **traffic** handled by the railroads in the week ended July 19th was greater than in any of the 19 preceding weeks. Despite this improvement car loadings are still running approximately 10% under the 1923 figures. Car loadings last year, however, were unusually heavy and this years figures are well above the average. It now appears that for the full 1924 year railroad traffic will be less than 10% under the 1923 figure, and in view of the increased operating efficiency of the railroads due to heavy expenditures made last year, a decline of not more than 10% in gross will permit a satisfactory showing in net.

RECENT reports from **automobile** centers are to the effect that improvement is beginning to be noticed in sales of automobiles in farming communities. This is undoubtedly a reflection of the higher prices now prevailing for farm products. The increased buying power of the farmer is also being reflected in the very satisfactory business now being reported by the mail-order houses. The sale of automobiles to farming communities in the past three years has not increased to nearly as great an extent as in the larger centers of population, and now that the farmer is in more prosperous condition, it is probable that the demand for automobiles from this source will be very appreciably augmented.

Perhaps stockholders of **Daniel Boone Woolen Mills,** a comparatively newcomer to the New York Stock Exchange, will be content to accept the explanation of the company's president that the break of seven points in one day was "merely a bear raid" or the published statement of the chairman of the board of directors that "its selling price" (of the common stock) has nothing to do with the financial condition of the company or its business future.

WELL KNOWN MARKET TERMS No 3



Taking a flyer in wheat

HERRIOT—
French Premier, whose moderate attitude has made it possible for the reparations problem to be finally solved

Experience shows, however, that selling prices *do* have something to do with financial position and future prospects. It is fair to assume that the current depression in textiles, particularly men's wear, is the true seat of the market troubles of Boone.

TWO years ago **American Beet Sugar's** bank loans totaled over 5 million dollars. The company is now free of bank loans and has approximately 3 millions in cash and 2.5 millions accounts receivable and sugar. Whereas the capitalization, consisting of 5 million dollars of preferred and 15 millions of common, has remained unchanged for nearly a quarter of a century, the company's large acreage in California, Colorado and Nebraska has increased many millions of dollars in value. This increase is not reflected in the balance sheet, the property being carried at 20 million dollars for the past fourteen years. Earnings this year will not be quite as good as those of last year, because of the slump in the price of granulated. But the chances are that the $4 dividend on the common stock will be earned with a substantial surplus to spare.

REPORTS from the important lumber-producing districts indicate that there is a steadily broadening demand with a firming price basis. In some cases, there has been a decided expansion of demand. Lumber, as a basic product, is in use in all industries, and the revival of interest in this very important field may be accepted as a good barometer of future trade conditions pointing to the inevitable general recovery in business.

Industrials

Five Companies Which Will Share Handsomely in Farm Prosperity

Which Securities in Each Industry Offer the Best Possibilities?

THIS article analyzes the position of five companies representing three industries which are in a particularly interesting position on account of the great improvement in the agricultural situation. The analysis has been limited to these companies as their securities appear to be in a more favorable position than those of other companies engaged in the same industries.

BESIDES affecting the welfare of the farmers themselves, any increase or decrease in their purchasing power has a very definite effect on those industries which are more or less dependent upon sales made in agricultural districts.

An anlysis shows that the farm machinery industry, fertilizer industry, and the mail order business are to quite an extent responsive to any change in agricultural conditions, as might be expected when it is realized that farmers are the important customers in each case. All other things equal, an increase in the purchasing power of the farmers means a return of prosperity or larger profits to each of these industries.

A series of statistical graphs published in another part of this issue of THE MAGAZINE OF WALL STREET shows that the current year's agricultural outlook is better than at any other time since 1920. The volume of farm crops will not be large. In fact it is estimated at below the 1913 total, but other factors will more than outweigh this phase of the situation. The increase in the price of farm products and the gradual decline in general commodity prices during the past few months warrant the belief that not only will the actual number of dollars which the farmers will have to spend, be larger than last year, but also each of these dollars will buy a greater amount of merchandise. Thus the farmers' purchasing power will be considerably increased. The three major industries, previously mentioned, may reasonably be expected to show a substantial increase in domestic sales, particularly around harvest time.

This does not necessarily mean, however, that earnings will increase to the same extent; many other factors must be taken into consideration, such as manufacturing and selling costs, and the volume of exports. Each industry and each company within each industry has its own peculiar problem and its prospects are dependent on conditions which must be considered separately in each instance, as has been done in the accompanying analyses.

Outlook for Farm Machinery Companies

THE depression that has existed in this industry for the past few years seems to be nearing its end. This does not mean that the current year's prospects are unusually favorable. It is doubtful if final results for 1924 will be much more satisfactory than those for last year; but looking into the more distant future it may be said that many signs offer reason for encouragement.

Manufacturers are favored with declining costs and a fair margin of profit, the one matter of concern being a small sales volume. This is due to a small volume of domestic business, though exports have shown a steady increase for the first half of the current year. The present operating rate is estimated at but 50% of capacity for the entire industry, with May sales for domestic account about 10% under the total for May of last year.

While this drop in domestic business is not expected to continue it will do much to hold earnings at low levels for 1924. From now to the end of the year and through 1925, however, there should be a steady increase in farm machinery sales, due to the fact that farmers are just beginning to realize on the higher prices for their products and their increased purchasing power. After limited buying for a period of over three years it is reasonable to believe that the farmers' need for equipment is of unusually large proportions and will have to be filled shortly as a matter of necessity. Exports are also expected to show a continued increase, which will do much to bring total sales volume up to normal. Altogether, it would appear that farm machinery manufacturers have reason to expect a decided benefit from the recent change in agricultural conditions.

INTERNATIONAL HARVESTER COMPANY

Within the last month or so, the common shares of the International Harvester Company have been consistently advancing in market price and are now quoted at just under par, the high for the year. Although earnings for 1924 are not likely to be much larger than those for the previous twelve month period, the action of the stock indicates that investors appreciate its long-pull possibilities. The company is in a very strong financial condition as can be seen from the accompanying table and will be able to take full advantage of any improvement in domestic demand for farm equipment. As nearly one-half of total sales are made abroad, the increase in exports indicates that International Harvester is doing well in this quarter.

At present prices around 95, the yield on the common stock is 5.2% which is not at all large, even considering the investment character of the issue. Furthermore, there is no hope of an early increase in the present $5 dividend rate. The issue, however, is in process of discounting its long-pull prospects which are far better than for a num-

ber of years, and it is consequently still in an attractive position.

J. I. CASE THRESHING

The directors of the J. I. Case Threshing Machine Company passed the the quarterly dividend on the 7% cumulative preferred stock issue which was due April 1 last, and accumulations now amount to $3.50 per share. It is now quoted around 58 which represents a decline from 77 during February of this year.

Lower prices for the preferred stock have undoubtedly resulted from unfavorable dividend action rather than any marked decrease in earnings. Profits for the current year are expected to be in excess of those for 1923, and with even a fair revival in the industry next year, this company should have no difficulty in earning the preferred requirement by an ample margin.

There is no funded debt and bank loans of approximately five millions are not of such proportions as to cause trouble. Cash account as of Dec. 1, 1923, showed but $819,000 which no doubt explains the passing of the dividend on the preferred, but bills receivable of 7.3 millions should provide the company with sufficient cash with which to conduct its affairs until a revival has taken place.

The past record of this organization over a long period of years has been very favorable, with the exception of the recent depression. It should have no difficulty in ultimately regaining its old earning power, and at a price of 58 the preferred stock is an outstanding bargain. The common stock is quoted at 29 which would appear to be a little high in comparison with the preferred, but it would probably advance with a rise in the preferred. As stated, the latter is in reality the more attractive from the investor's viewpoint.

The Mail-Order Houses

INASMUCH as the mail order business is now in a comparatively healthy condition, the most that can be expected as a result of the farmers' increased purchasing power is a further gain in sales. Figures available for the first six months of the current year show that the two large mail order houses made rather diverse showings for the period. Sears-Roebuck reported a 1.8% decrease as compared with the same period of last year, but Montgomery Ward sales gained 17.5%.

As the most important period of the year so far as this industry is concerned is the fall months or harvest time, a good increase in sales between now and the end of the year will go a long way towards providing a healthy gain in sales for the entire twelve months' period. It is likely that this increase will take place, due to the change in agricultural conditions already outlined. The improvement in the condition of the wheat farmers will mean a great deal, since the volume of buying from the wheat belt has been less favorable than from any other section of the country.

Profits for 1924 will be satisfactory, although there have been reductions in retail prices. The lower trend of wholesale prices has proved an offsetting factor. Unless something unforeseen occurs in the meantime, the mail order business should be very prosperous during the coming year.

SEARS-ROEBUCK & CO.

As previously stated, Sears-Roebuck & Co. reported a 1.8% decrease in sales for the first six months of the year compared with the same period of 1923. Margin of profit is understood to have been a great deal higher, however, due to the improvement in the company's financial position during the past two years. At the close of 1922, funded debt amounted to 16.9 millions and this debt has since been paid off out of earnings with a very small increase in bank loans. The consequent reduction in interest charges means that the company can increase its earnings per share on the common stock even without a gain in net income.

The $6 dividend rate on the junior share, which was resumed in June after a lapse of three and one-half years, is not likely to be increased at an early date. The return at present prices

(Please turn to page 655)

Table 1—Comparison of Earnings and Market Position of Five Companies Dependent on Agricultural Conditions

	Earned Per Share on Common 1920	1921	1922	1923	1924*	Price Range of Common 1923 High	1923 Low	1924 High	1924 Low	Recent Price
Farm Machinery Companies—										
International Harvester Co.	$14.35	....	$1.35	$6.10	$9.00	98	66	97	78	95
J. I. Case Threshing Machine Co. (a)	14.90	....	2.50	4.90	6.00	85	65	77	40	58
Mail Order Companies—										
Sears, Roebuck & Co.	13.10	....	5.15	11.53	13.00	92	65	106	78	104
Montgomery Ward & Co., Inc.	....	....	2.05	4.40	6.00	26	18	36	21	34
Fertilizer Companies—										
American Agricultural Chemical Co. (a)	18.60	....	....	1.75	3.50	68	28	49	18	41

*Estimated. a All figures refer to preferred stock issues.

Table 2—Financial Condition of Five Companies Dependent on Agricultural Conditions (as of Dec. 1, 1923)

	Funded Debt	Current Liabilities	Current Assets	Working Capital
Farm Machinery Companies—				
International Harvester Co.	....	$21,103,000	$164,499,000	$143,396,000
J. I. Case Threshing Machine Co.	....	5,875,000	20,355,000	14,479,000
Mail Order Companies—				
Sears, Roebuck & Co.	....	17,948,000	83,916,000	65,967,000
Montgomery Ward & Co., Inc.	....	8,532,000	32,603,000	24,070,000
Fertilizer Companies—				
American Agricultural Chemical Co.	$33,738,000	3,239,000	39,881,000	36,642,000

Nine Preferred Stock Opportunities

A Favorable Situation Which Should Be Taken Advantage of by Investors

WHILE it is true that many preferred stocks have reflected in their price movements the extremely favorable market conditions of the past few months, there are still a number of good opportunities open to the discerning investor. We have indicated nine of these in the accompanying article. Investors should not be misled by what may be a temporary increase in earning power when considering a preferred stock for purchase. There should be every indication that these dividends can be earned with a substantial margin almost any year. It is, however, among preferred stocks which have not had an exceptionally good investment record but which have a good future ahead of them where sometimes really good market opportunities occur. Generally, issues of this class sell lower than others of an approximately similar grade simply because the investment public has as yet not made up its mind concerning their status. This leads to an opportunity for high yields without proportionate risk. Practically all the issues listed in this article are of such a nature. They are divided into High-Grade, Middle-Grade and Speculative Issues.

MACK TRUCK 1st PFD. Mack Truck has so greatly increased earning power in the past few years that its first preferred stock, formerly rated as speculative, is now entitled to a high-grade rating. In 1921, the first preferred dividend was not earned whereas in 1922 it was earned five times over and in 1923 nine times over. As the result of a conservative dividend policy, working capital in the past five years has doubled and now stands at over 25 millions. The first preferred stock is outstanding only to the amount of 10.9 millions and the company is entirely free of funded debt. Net liquid assets alone therefore are equivalent to $225 a share on the 1st preferred. Additional equity behind the 1st preferred consists of real estate, etc., valued at 8.7 millions.

Mack Truck has a highly efficient management and is a dominant factor in the heavy truck field. Recently, the company increased activities to include the manufacture of motor busses and rail cars for which there is a rapidly growing demand. While earnings fluctuate with general business conditions, there is every reason to believe that over a period of years the company will continue to demonstrate a large earning power. **Mack Truck 1st preferred stock is selling at a considerably lower level than many issues no better protected by assets and earnings and, as the stock becomes more seasoned, it should advance to higher levels.**

U. S. REALTY CONV. PFD. United States Realty 7% cumulative preferred stock was sold to common stockholders at par in 1922, in order to provide funds with which to retire the company's funded debt. This funded debt has been eliminated and the preferred stock has first claim on the company's earnings and assets, except real estate mortgages on the property of subsidiary companies. Earnings for the past ten years have averaged about 1.5 million, or more than two and a half times dividend requirements on the 8 million dollars preferred stock now outstanding. In the past three years, however, earnings of the company have increased substantially and have averaged about five times the preferred dividend.

Net tangible assets are equivalent to over $300 a share and among these assets is included some of the most valuable real estate in New York City including such well known buildings as United States Realty, Flatiron, Trinity, Whitehall, Plaza Hotel and New York Hippodrome. Through ownership of the Geo. A. Fuller Construction Company, U. S. Realty is one of the largest building and construction interests in the country. **In addition to being a sound investment and attractive at present prices of 102, yielding 6.9%, this preferred stock also has possibilities of material enhancement in value as it is convertible into common stock, share for share.** The common stock is now paying 8% and, as earnings for the past two years have averaged 18% on this issue, there are possibilities of an increase in the dividend rate, in which case the convertible feature in the preferred stock would undoubtedly become valuable. The conversion privilege expires November 1st, 1925.

NEW YORK, CHICAGO & ST. LOUIS 6% PFD. New York, Chicago & St. Louis is controlled by the Van Sweringens of Cleveland and is the nucleus of what promises to become one of the largest railroad systems in the country. The Toledo, St. Louis & Western has already been merged and it is expected that Chesapeake & Ohio will be taken over in the near future and possibly the Erie and Pere Marquette. Since the new interests assumed control of this road, income has been greatly in excess of preferred dividend requirements. In 1922, net after all charges available for dividend was 5.3 millions and last year 6.3 millions, equal to 21% and 25%, respectively on the preferred stock. Although this preferred issue is already in a very strong position with the contemplated mergers consummated, its investment position will undoubtedly be still further strengthened. **The stock is selling out of line with the market for similar grade issues.**

Nine Attractive Preferred Stocks

	Dividend	Price	Yield	Dividend Times Earned 1923
HIGH GRADE				
New York, Chicago & St. Louis	$6	89	6.7	4
U. S. Realty & Improvement Conv.	7	102	6.9	6
Mack Truck	7	102	6.9	9
MIDDLE GRADE				
Bangor & Aroostook	7	91	7.7	2½
Famous Players-Lasky	8	96	8.3	6
Am. Water Works & Elec. 1st	7	98	7.1	5½
SPECULATIVE				
Radio Corp. of America (Par $50)	3.50	42	8.5	3½
Austin Nichols	7	85	8.2	3
California Petroleum Participating	7	95	7.4	6

BANGOR & AROOSTOOK 7% PFD. This road operates 625 miles of main line from Tidewater on Penobscot Bay, Maine, to the Canadian border, connecting with the Maine Central and Canadian Government Railways. It serves some of the richest lumber and agricultural districts of New England as well as large paper mills. Earnings available for dividends during the past seven years have averaged $525,000 as against dividend requirements on the preferred stock of $245,000 per annum. Dividends on the common stock has been paid during the past nineteen years. The management is considered unusually capable, Bangor & Aroostook being one of the few roads of the country that has been successful in employing non-union locomotive engineers and firemen. No difficulty was experienced during the shopmen's strike a few years ago. **The preferred stock is a sound investment and attractive at present prices.**

FAMOUS PLAYERS 8% PFD. Famous Players Lasky 8% preferred stock is selling far out of line with the earning power of the company and the value of its assets. The explanation for the low price of the preferred compared with other issues undoubtedly lies in the nature of the company's business, the production and distribution of moving pictures, which is considered a highly speculative industry. While this is true to a certain extent, the Famous Players Company is one of the dominating factors in this industry controlling both the production and distribution of its pictures. It owns over 400 theatres throughout the country and the company's interest in these theatres alone represents a substantial equity for the preferred stock, particularly as the company is free of funded debt. Since incorporation in 1916, earnings have averaged approximately six times the preferred dividend requirements. Working capital as of December 29th, 1923, was 13 millions against 8.9 millions preferred stock outstanding. The preferred stock is convertible into common stock at 120. **The conversion privilege is not particularly valuable at this time with the common stock selling in the eighties but at present levels of 96, the return on the preferred is 8.3% which is an unusually attractive yield considering the strong position of this issue.**

AMER. WATER WORKS 1st PFD. While up to 1922 this company's earnings averaged only slightly in excess of preferred dividend requirements, in the past two years earnings on the preferred shares have been very substantial. In 1922, 29% was earned on the preferred, in 1923, 39%, and earnings this year will be even greater. American Water Works & Electric is the largest owner of privately operated water works in the country, serving 27 cities throughout the southwest. It also furnishes electric light, power and traction services in important

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Advances in Many Preferred Stocks

THE preferred share market was strong throughout in all departments and there were very substantial advances in a number of issues such as American Woolen, Sears, Roebuck & Company, American Sugar Refining, Armour & Co. of Delaware, Allis Chalmers, Austin, Nichols & Co., Public Service of New Jersey, Worthington Pump and Pure Oil. Investors, as anticipated, are turning attention to the opportunities presented for profit and income in preferred stocks.

Railroad preferred issues were in demand, with Pere Marquette preferred up over 6 points. The outlook for a number of railroads warrants favorable consideration of the speculative preferred shares. As the issues carried in the semi-speculative investment class have advanced so that the return is now under 7%, we are incorporating in the guide a speculative division. The issues heretofore carried have not yet discounted their possibilities, but, from the profit standpoint, we believe the more speculative stocks shown will prove more profitable, as they have not, to the same extent, discounted the possibilities as the issues heretofore carried under the semi-speculative investment heading.

PREFERRED STOCK GUIDE

(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
American Ice Company ....(n.c.)...	6	81	7.4	2.2
United States Realty & Improvem't Co. (c.)...	7	102	6.9	2.7
Mack Trucks, Inc., 1st..............(c.)...	7	102½	6.7	(y)2.8
General Motors Corp. deb..............(c.)...	7	97	7.2	(y)5.1
American Woolen Co. ....(c.)...	7	102½	7.0	2.5
Cluett-Peabody & Co...................(c.)...	7	103	6.8	4.7
Loose-Wiles Biscuit Co. 1st............(c.)...	7	105	6.6	3.2
Studebaker Corporation ....(c)...	7	114	6.1	20.0
American Can Co. ....(c.)...	7	115	6.1	2.5
Baldwin Locomotive Works.............(c.)...	7	116	6.1	4.4
Endicott-Johnson Corp. ....(c.)...	7	108½	6.6	4.6
PUBLIC UTILITIES:				
North American Co......................(c.)...	8	50	5.0	(w)6.9
Philadelphia Company...................(c.)...	8	45	6.7	5.6
RAILROADS:				
Chicago & Northwestern...............(c)...	7	107	6.5	...
New York, Chicago & St. Louis........(c.)...	6	89½	6.7	(x)2.5
Chesapeake & Ohio conv...............(c.)...	6.50	108	6.0	4.9
Middle-Grade Investments				
INDUSTRIALS:				
Bush Terminal Buildings Co...........(c.)...	7	95¼	7.3	1.1
Coca-Cola Co. ....(c.)...	7	93	7.5	(x)5.1
American Sugar Refining Co...........(c.)...	7	89¾	7.8	2.4
Brown Shoe Co.........................(c.)...	7	90	7.8	2.2
Bethlehem Steel Corp. conv...........(c.)...	8	105	7.7	3.8
Cuban-American Sugar Co..............(c.)...	7	97	7.3	6.4
California Petroleum partic. pfd.......(c.)...	7	96	7.2	1.3
American Smelting & Ref. Co..........(c.)...	7	103½	6.7	1.7
American Steel Foundries.............(c.)...	7	108	6.7	5.0
Gimbel Brothers, Inc...................(c.)...	7	102	6.9	3.3
U. S. Industrial Alcohol Co............(c.)...	7	102	6.9	6.4
Armour & Co., of Del...................(c.)...	7	90	7.8	(z) 2.9
Allis-Chalmers Mfg. Co.................(c.)...	7	98	7.2	2.8
Associated Dry Goods Co. 1st.........(c.)...	6	89	6.7	3.0
Genl. American Tank Car Co...........(c.)...	7	95	7.4	5.4
Natl. Cloak & Suit Co..................(c.)...	7	95	7.4	...
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	98	7.1	(x) 2.2
Metropolitan Edison ....(c.)...	7	93	7.5	...
Public Service of N. J..................(c.)...	8	108	7.4	(y) 3.4
RAILROADS:				
Baltimore & Ohio.....................(n.c.)...	4	61	6.5	...
Bangor & Aroostook....................(c.)...	7	90½	7.7	2.5
Colorado & Southern 1st pfd.........(n.c.)...	4	59	6.7	6.2
Pittsburgh & W Va......................(c.)...	6	98	6.1	2.0
Radio Corp. of America 1st pfd........(c)...	3.50	42	8.3	(w) 2.5
Semi-Speculative Investments				
INDUSTRIALS:				
Famous Players-Lasky Corp............(c.)...	8	97	8.2	(y) 5.7
Pure Oil Co. conv. pfd.................(c.)...	8	98	8.2	3.5
American Beet Sugar Co..............(n.c.)...	6	74½	8.0	1.3
National Department Stores............(c.)...	7	94	7.4	4.0
Fisher Body Corp. of Ohio..............(c.)...	8	100	8.0	...
Austin, Nichols & Co......................	7	87	8.0	(w) 1.5
Worthington Pump & Mfg. "A".....(c.)...	7	78¾	8.8	2.0
Orpheum Circuit ....(c.)...	8	94½	8.4	(w) 2.5
J. Kayser & Co.........................(c.)...	8	81	0.8	2.0
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd......(c.)...	6	92	6.5	(w) 1.8
RAILROADS:				
Chicago Rock Island & Pac.........(5%)...	7	89	7.8	(x) 1.35
Chicago Rock Island & Pac......(c5%)...	6	78	7.8	(x) 1.35
Gulf, Mobile & Northern...............(c)...	6	69	7.2	(w) 1.25
Western Pacific ....(c)...	6	70	8.5	(w) 1.00

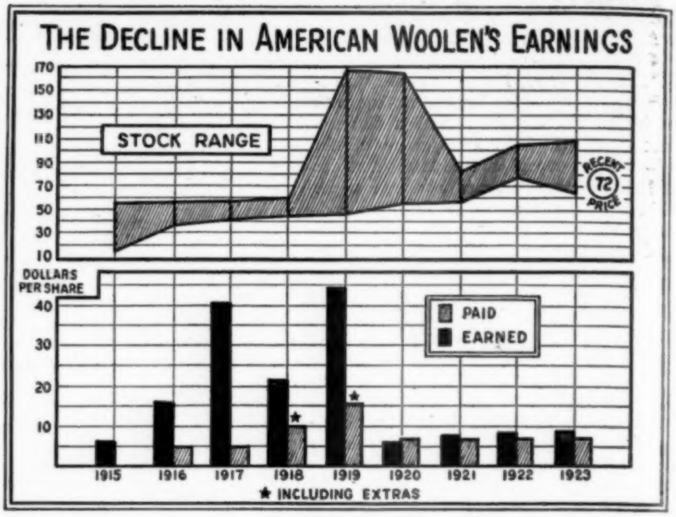
(c.) Cumulative. (n.c.) Non-cumulative
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

American Woolen Company

Is the Woolen Leader Still in Trouble?

A Glimpse of the Financial Position—Trend of Earnings and Market Outlook for Stock



AMERICAN WOOLEN is, as everyone knows, a big producer of woolen goods. The textile industry as a whole was one of the first to feel the current business depression. As long ago as the middle of 1923 the business of American Woolen Company began to fall off. The first six months of that year were excellent, the second six months were relatively poor.

Not longer ago than last June, President Wood was quoted as saying that present earnings were negligible with mills running at only 61% of capacity. He added that the company had accumulated a surplus sufficient to carry the dividends. In the middle of July, a Vice-President of the company was quoted as saying that the business season all around was about a month late. He pointed out that American Woolen was strong in cash resources and that ultimate consumption continues to deplete stocks of cloth in the retailers' hands. There was nothing direct, however, on the subject of earnings.

Recently the raw woolen market has strengthened materially, and it is predicted that leading consumers expect real improvement in the fall. It must be admitted that evidence upon which to base an opinion on American Woolen's current position is by no means as complete as might be hoped, but such as it is, the conclusion may reasonably be drawn that since January 1 the company has not been making much money and is counting heavily upon the materialization of a business recovery during the coming fall.

At the end of 1923, inventories stood at fifty-six million dollars, substantially higher than at the end of any year of the past seven, with the exception of 1919, when the total was fifty-three millions. At the end of 1923, notes payable were almost ten million dollars—a reasonably large total, but of course not as large as the total at the end of 1919, following the short business boom of that year.

It is not reasonable to suppose that inventory position has materially decreased since the end of last year. Trade has been slow and there is a tendency among retailers and jobbers to make manufacturers carry the supplies. In other words, there is not as much forward buying as there used to be. In one way, this condition, while it may temporarily work to the disadvantage of the manufacturer, makes the inventory position, if it is large, not as serious as when dealers and jobbers are well stocked ahead. It is not believed that retailers have done much toward anticipating a more active than usual fall business. Therefore, any decided revival may quickly affect the inventory position of a company like Woolen.

The company has not had a big earnings year since 1919. According to one interpretation, American Woolen set aside over four million dollars from earnings last year and put it into reserves. If this interpretation be accepted, then earnings in 1923 were almost $19 per share on the common stock. If the interpretation be not accepted, then earnings were $8.85 per share. In the four years ended December 31, 1923, protection given to the common dividend of seven dollars after deduction of reserves, etc., has been scant and this record is probably one of the reasons for the lack of the kind of interest in the stock which leads to semi-investment buying, or to the kind of buying that takes stock out of the market for a good period.

There is no doubt that American Woolen has spent substantially upon rehabilitation of property during the past five years, and there is no reason to doubt the efficiency of the mills or to think that their physical condition is not all it should be. In 1920, the company sold twenty million dollars of common stock and in 1923, sold ten million dollars preferred stock. In addition, two subsidiary mill companies together have eleven million dollars in gold notes; one issue maturing in 1931 and the other in 1933. Here is something over forty million dollars raised in the last four years, presumably for physical improvements and expansion.

The picture presented by American Woolen includes an unusual trade depression, relatively high inventory position, sizable bank loans and an impaired earning power. For almost a year, every time that American Woolen has declared the quarterly dividend upon the common stock, predictions have been made that the "next time" the dividend would be reduced or suspended. As the "next time" has come around, the regular dividend has been declared.

American Woolen's position is not a question of asset value, physical efficiency, management, or labor, but a question of earning power created by conditions over which the management has had limited control at best. The worst part of the trade depression appears to be over. Raw woolen prices are advancing, dealers' stocks of finished goods are not high and business in the fall of 1924 ought to be better for the company than business in the fall of 1923. Probably inventory position is still rather large, as may be bank loans. Cash position at the end of 1923 was not weak.

The company has paid regular dividends upon the fifty million dollars 7% cumulative preferred stock since 1899, and it is deserving of a good rating.

Common stock was hammered down to 62 in April of this year, the lowest price since 1921. This low was made just before the whole market turned upward and American Woolen common turned with the rest of the industrials. If the present strength in woolen prices is maintained and retail distribution continues as substantially as for the past six months, an advance in the common stock from the middle 70s would be justified. **Signs point to business improvement, and on that basis American Woolen common is interesting as a purchase to the speculative trader who recognizes the risk, but it is not yet interesting to the buyer of stocks who is buying solely and primarily for safety of income return.**

Can Studebaker Maintain Common Dividends?

The "Four-Wheel Brake" Situation—Finances and Earning Power—Stock-Market Position

ALL through 1923 the problem of the automobile industry was to maintain production at a rate sufficient to satisfy sales requirements. At least that seemed to be the idea prevalent among makers of, and dealers in passenger cars. Exact figures are unavailable, but from January first this year it is probable that the number of cars in dealers' hands has been accumulating.

The question now in the automobile industry is the successful disposal of cars on hand. Less is heard about production and production schedules. Therefore, it is likely that from now until the end of the year, production will occupy a position secondary to distribution.

Studebaker last year sold over 145,000 cars and on that volume of business showed profits of $17,700,000 available for the common stock, or $122 a car. Sales volume for 1923 applied to the present number of shares of common outstanding, shows that one car was sold for every thirteen shares. When capitalization was considerably smaller in 1919 and 1920, the equivalent ratio was a car to eleven and twelve shares. This rough comparison shows that despite capital increases, production has not been outstripped, that is production on the 1923 scale, but the 1923 scale was unprecedented.

In the first half of 1924, 57,587 cars were sold and net profits were $7,275,000 in round numbers, or about $126 per car. This may be rather a crude way of comparing some of the features of Studebaker's position, but it gives an inkling of capitalization growth in comparison with growth of output, and also indicates the trend and range of profit. Studebaker has demonstrated the ability to keep pace with capitalization. There is no doubt about that, and no disposition to criticize on that score. It has also shown ample earning power in big years like 1923, for example. Earnings in the first half of 1924 were $7,275,000, whereas dividend requirements on the common stock were $3,750,000.

While there is little statistical data available, the failure of Studebaker to adopt a four-wheel brake is regarded by some observers of the automobile industry as one of the reasons for lagging sales. Irrespective of the merits of the four-wheel brake, it is claimed by those who have understood the psychology of automobile selling, that this form of brake proved to be a big sales argument, and Studebaker's competitors who adopted the four-wheel brake have benefited at the expense of Studebaker since the early fall of 1923.

Studebaker is now understood to be preparing an entirely new line of models for the late summer and early fall markets. It is not believed that Studebaker will adopt the four-wheel brake on these models, but in automobile circles some decided changes are prophesied. Admittedly, the relative success or failure of these new models will play a large part in determining the course of Studebaker shares through the rest of the year. It is impossible at this stage and from this angle to make any prediction about these models, but they may be the big topic later in the year.

In the spring of 1924, Studebaker changed 750,000 shares of common stock of $100 par value to 1,875,000 shares of common, having no par value, exchange basis being one share of old for 2½ shares of new. Dividend rate on the new shares is $4 equal to $10 on the old shares, showing no change from the rate established in 1922. Earnings for the first half of 1924 were well above dividend requirements. But in the first quarter of 1923, Studebaker earned almost 40% of the whole year's net applicable to the common stock, and if earnings follow such a proportion for the whole year of 1924, the $4 dividend on 1,875,000 shares of stock is not going to be earned with such a margin as in 1923. Studebaker is now selling on a better than 10% basis and has discounted to a large extent the change which has come over the automobile industry since January first.

The financial position of the company is not quite so good as in the past year but sufficiently strong to forbid reasonable fears on this score. However, unless there is a marked decline in earnings, the company will earn its $4 common dividend this year with a fairly satisfactory margin. There is no reason, then, why this rate should not be continued. **While it is granted that there are uncertainties in the situation, the stock seems to have discounted these uncertainties and for a long pull at current levels in the middle 30s may be considered for speculation by those who have funds available for such purposes. The 7% preferred stock at 113 to yield over 6% is in a very strong investment position.**

Studebaker Corporation's Record

	Cars Sold	Capital	Sales	Net Income	Earned Per Share Common	Price Range Common High	Low
1917......	42,357	$40,965,000	$50,147,500	$3,500,741	$7.76	110½	33⅝
1918......	23,864	40,775,000	52,087,000	3,884,195	9.04	72⅞	33⅞
1919......	39,356	55,260,000	66,383,307	9,312,284	27.20	151	45¾
1920......	51,474	69,800,000	90,652,360	9,822,054	15.30	126⅜	37¾
1921......	66,643	69,800,000	96,690,640	10,409,690	15.53	93¼	43⅜
1922......	110,269	84,450,000	133,178,880	18,086,200	28.35	141¾	79⅛
1923......	145,167	83,600,000	166,153,680	18,342,223	23.06	126¼	93¾*

*** Stock changed from $100 par to no par, basis of exchange being 1 of former to 2½ of latter. Price range no par, common, 38⅞—30½ to July 29th.**

World's Greatest Manufacturer of Automobile Wheels

Is Stock Attractive at Present Prices?

THE Hayes Wheel Company was incorporated in 1908 with a capitalization of 500 shares of stock. It was more or less a family affair organized by C. B. Hayes. Output was 81,400 wheels in 1909. In 1923, the Hayes Wheel Company produced 1,436,638 *sets* of wheels. Present capitalization consists of a funded debt of 1.2 millions preferred stock to the amount of 1.8 millions and 197,000 shares of common stock without par value.

Like so many fast growing American industrials, Hayes Wheel from time to time capitalized earnings by declaration of stock dividends, and is essentially a company whose stock values have been built upon earning power and not upon "hidden equities," "intrinsic assets" or other accounts of similar nature. At the same time, there is no evidence to show that the growth has been reckless or that the expansion policy has been unwise. Any company which has grown with the automobile industry during the past five years inevitably has developed at a fast pace, and on account of this great growth there is as yet perhaps no way to measure stability of earnings or to gauge a normal line of revenue growth.

Earnings Record

In the five-year period from 1919-1923, inclusive, earnings have fluctuated from $2.35 a share to $6.61 a share, the top figure having been reached in the year ended December 31, 1923. In connection with the earnings for 1923, however, it is pointed out that while the sales for the year, in terms of units of products sold, were largest in the history of the company by more than 50% over any previous year, the dollar value of sales did not increase proportionately, a condition which reflected the keener competition which is prevailing in the automobile industry.

Net profits after provision for depreciation, taxes, etc., represented 6.6% on sales of almost $20,000,000. Even though the dollar value of sales did not increase proportionately, the margin of profit was a little above the average for the five years from 1919 to 1923, inclusive. Of course that period included 1920, which was a year of big volume, but very high costs and small profits. The relatively small margin of profit furnishes no reason in itself for criticism of earning power. This condition, during the past two years particularly, has been quite general throughout the automobile industry and affiliated businesses, and in fact is one of the reasons for the hesitancy on the part of investors to buy the motor and kindred securities.

Early in 1924, Hayes Wheel absorbed three smaller companies which had been closely identified with the company. This absorption was accomplished through the exchange of preferred stock of Hayes Wheel for shares of the three subsidiaries. These three companies made automobile wheels, bolts, nuts and metal stampings, and their total gross business last year was between 10 and 11 millions. It is expected that they can show net earnings before taxes of over $700,000 this year, whereas dividends on the preferred stock issued in exchange for their shares will mean to the Hayes Wheel disbursements of less than $150,000. These figures are cited to show that the acquisitions apparently are much more than self-supporting. In the first quarter of the current calendar year, Hayes Whel earned approximately $476,000 after taxes and preferred dividend requirements, equal to $2.38 a share upon the common stock outstanding or within 62c a share of the full annual dividend requirements of $3.

Hayes Wheel is the largest manufacturer of automobile wheels in the world and numbers among its customers, Buick, Chevrolet, Durant, Nash, Willys Overland and Ford. In fact, it has been supposed that the Hayes Wheel contract with Ford was one of the largest. It is also commonly supposed that Ford contracts are let on a small profit margin, and upon this presumption it is rather clear that Hayes Wheel will probably continue to depend upon a large volume of business and a small margin of profit for its earnings. Not long ago the company lost a patent suit in the District Court in Detroit on a certain type of demountable rims. This decision will be appealed and, in the meantime, Hayes Wheel will continue to manufacture the product in dispute.

There is a small outside participation in the funded debt of the company, which consists of an issue of first mortgage A 7s and first mortgage B 6s, both due in 1929. There is no reason to doubt their investment standing but the market for them is not wide.

The 7½% cumulative preferred stock is currently being offered at par; and it is stated that application will be made to list the issue on the New York Stock Exchange. In view of the fact that the dividend is being earned fourteen times over, the 7½% yield on this preferred stock appears unusually attractive.

Conclusions

The common stock appeared on the New York Stock Exchange early in 1923. That year, of course, was one of exceedingly large profits for the automobile industry and Hayes Wheel shares sold as high as 52⅞ as compared with the present level of around 36. The decline, of course, represents the general slowing up in the automobile industry. The motor stocks and affiliated issues have not yet participated in the market advance. They are awaiting signs of improvement in the industry. These signs are not present in force but there is a disposition to regard the outlook a little more hopefully. In the meantime, it would appear as if the dividend of $3 a share upon Hayes Wheel common is reasonably assured of continuance with ultimate prospects for higher dividends.

At current prices of about 36 income return is over 8% and the stock appears worth buying on that basis in view of the record of earnings, although from a speculative standpoint the shares are still in neutral ground.

Hayes Wheel Co.

	Sets of Wheels Number	Net Sales	Net Income	Earned Per Share	Paid Per Share	Surplus Per Share
1919	956,990	$14,686,383	$891,565	$5.46	$0.80	$4.66
1920	945,312	20,382,922	384,786	2.35	1.00	1.35
1921	564,668	11,535,333	502,708	3.08	1.20	1.88
1922	894,635	13,218,305	1,158,001	5.79	2.05	3.74
1923	1,436,638	19,737,726	1,302,067	6.61	3.00	3.61

Industrial *Oil* *Mining*

Investors' Indicator

Current Earnings—Dividends—Working Capital

	Dollars Earned Per Share					†Present		Yield on	Ratio of Current Asets to	
			1924					Recent		
Industrials—	1922	1923	1st Quarter	2nd Quarter	6 Months	Rate Div.	Recent Price	Price (%)	Current Liabilities	
Allis-Chalmers	4.11	6.00	2.10	1.81	3.91	4	55	7.3	6 to 1	December 31, 1923
Ajax Rubber	0.06	def.	....	...	0.33	..	9	...	5 to 1	December 31, 1923
Air Reduction	5.23	12.31	3.13	2.69	5.82	4	80	5.0	10 to 1	December 31, 1923
Amer. Bosch Magneto	0.27	0.97	1.53	...	...	..	29	...	2¼ to 1	December 31, 1923
Amer. La France Fire Engine	1.90	1.75	0.39	0.51	0.90	1	11	9.1	6½ to 1	December 31, 1923
Amer. Druggists' Syndicate	0.63	0.27	....	...	...	..	5	...	15 to 1	December 31, 1923
Amer. Hide & Leather Pfd	4.20	def.	1.60	0.29	1.89	..	60	...	3 to 1	December 31, 1923
Amer. Locomotive	l	21.25	....	...	...	6	80	7.5	8 to 1	December 31, 1923
Amer. Steel Foundries	4.30	9.70	1.04	...	...	3	37	8.1	6 to 1	December 31, 1923
Bethlehem Steel	1.14	5.57	1.91	0.11	2.02	..	44	...	3¾ to 1	December 31, 1923
Butterick	3.42	3.90	....	...	...	..	19	...	2 to 1	December 31, 1923
Central Leather	q	def.	def.	def.	def.	..	14	...	8½ to 1	December 31, 1923
Cluett-Peabody	12.01	14.15	....	...	4.10	5	63	7.9	3½ to 1	December 31, 1923
Coca Cola	11.14	7.65	1.49	...	...	7	74	9.5	2½ to 1	December 31, 1923
Colorado Fuel & Iron	def.	1.67	1.57	def.	1.38	..	49	...	3½ to 1	December 31, 1923
Corn Products	k4.35	k4.39	k1.11	k0.71	k1.82	2	32	6.0	9 to 1	December 31, 1923
du Pont de Nemours	k5.62	13.93	....	...	5.84	8	130	6.2	9 to 1	December 31, 1923
Endicott-Johnson	13.77	7.95	....	...	3.13	5	62	8.1	2½ to 1	June 30, 1924
Famous Players	14.72	14.98	2.71	2.71	...	8	86	9.3	2¾ to 1	December 31, 1923
General Motors	2.19	2.06	0.85	...	1.15	1.20	14	8.6	3 to 1	December 31, 1923
Goodrich	0.73	0.80	....	...	2.51	..	24	...	3¾ to 1	December 31, 1923
Gulf States Steel	7.26	12.76	2.86	1.35	4.21	5	75	6.7	8½ to 1	December 31, 1923
Hayes Wheel	6.50	6.60	2.38	...	...	3	37	8.1	3 to 1	December 31, 1923
Hudson Motor	6.03	6.66	0.90	2.13	3.03	c3	27	11.1	3½ to 1	November 30, 1923
Lee Rubber & Tire	2.47	def.	def.	...	...	..	11	...	2 to 1	December 31, 1923
Mack Truck	9.94	20.71	4.04	...	10.00	6	92	6.5	10 to 1	December 31, 1923
Otis Elevator	k7.64	k9.11	k2.20	k2.44	k4.64	4	60	6.1	6½ to 1	December 31, 1923
Owens Bottle	4.41	4.47	0.98	...	...	3	44	6.8	8 to 1	December 31, 1923
Pierce Arrow pfd	0.10	2.78	0.47	1.06	1.53	..	33	...	3½ to 1	December 31, 1923
Remington Typewriter	2.77	8.39	2.85	...	...	..	43	...	7 to 1	December 31, 1923
Republic Iron & Steel	j	15.00	3.06	0.05	3.11	..	49	...	6½ to 1	December 31, 1923
Sloss-Sheffield	1.09	20.22	2.63	...	...	6	66	9.1	5 to 1	December 31, 1923
Spicer Manufacturing	0.88	2.66	1.01	0.56	1.57	..	13	...	2½ to 1	December 31, 1923
Stewart-Warner	11.23	14.16	3.15	1.08	4.23	5	54	9.3	4¾ to 1	December 31, 1923
Stromberg Carburetor	8.05	11.62	2.72	...	...	8	63	12.7	6 to 1	December 31, 1923
Studebaker	k9.30	k9.22	k1.81	k2.07	k3.88	4	38	10.5	5½ to 1	December 31, 1923
Timken Roller Bearing	6.43	6.74	1.52	...	...	h3	35	8.6	7 to 1	December 31, 1923
United Drug	5.80	8.46	....	...	4.12	6	82	7.3	7½ to 1	December 31, 1923
U. S. Rubber	2.08	2.28	....	...	...	..	32	...	2½ to 1	December 31, 1923
U. S. Steel	2.85	16.43	5.03	3.44	8.47	d7	107	6.5	4½ to 1	December 31, 1923
Vanadium	0.79	1.84	....	...	1.15	..	24	...	Net current assets $4,482,000	
Willys-Overland	def.	5.32	0.80	...	...	..	9	...	5½ to 1	December 31, 1923
Youngstown Sheet & Tube	....	14.93	3.55	1.63	5.18	5	68	7.4	5 to 1	December 31, 1923
Oils—										
California Petroleum	‡k4.18	‡k5.09	‡k0.98	...	...	1.75	23	7.6	2¼ to 1	December 31, 1923
Cosden & Co.	‡4.25	def.	*3.20	...	...	..	29	...	1¼ to 1	December 31, 1923
Houston Oil	‡2.75	‡3.96	‡3.12	‡2.18	‡5.30	..	71	...	4 to 1	December 31, 1923
Marland Oil	‡4.44	‡1.52	‡1.86	...	...	..	32	...	1¾ to 1	December 31, 1923
Pacific Oil	‡3.37	‡2.55	‡0.83	...	...	2	50	4.0	2 to 1	December 31, 1923
Pan-American B.	‡11.75	‡8.09	....	...	... ..	4	56	7.1	2½ to 1	December 31, 1923
Phillips Petroleum	*7.80	‡3.92	....	...	‡4.13 ..	2	37	5.4	1½ to 1	December 31, 1923
Pure Oil	s	s	....	...	...	1.50	25	6.0	2¼ to 1	March 31, 1923
Sinclair Consolidated	‡3.24	def.	....	...	...	..	17	...	2½ to 1	December 31, 1923
Mining—										
American Smelting	‡3.26	8.84	2.50	...	...	5	70	7.1	5 to 1	December 31, 1923
American Zinc pfd	0.22	‡def.	*0.62	...	...	..	29	...	3¾ to 1	December 31, 1923
Chino	def.	0.21	....	...	...	..	21	...	2½ to 1	December 31, 1923
International Nickel	p	....	....	...	...	..	19	...	12 to 1	March 31, 1924
Nevada Consolidated	def.	1.05	*0.20	...	...	..	14	...	8 to 1	December 31, 1923
Ray Consolidated	def.	0.65	....	...	...	..	13	...	6 to 1	December 31, 1923
Utah Copper	1.03	7.09	*1.31	...	...	4	80	5.0	5 to 1	December 31, 1923

* Before depreciation and depletion.
† Dividend rate covers regular dividends on yearly basis.
‡ After deducting depletion and depreciation.
§ Year ended March 31.
a After deducting depreciation and revaluation of inventory.
c 10% stock dividend paid April 15.
d Including extra dividends of 50 cents quarterly.
h 25c extra paid June 5.
j Earned $1.67 on preferred in 1922.
k On increased shares outstanding.
l Earned $4.40 on preferred.
p For year ended March 31, 1924, earned 40c a share on common.
q Earned $4.58 a share on preferred.
s Year ended March 31, 1924, earned $3.21 a share, compared with $1.37 a share previous year.

Building Your Future Income

For Men and Women Who Look Ahead

Informative Editorials—3

The Savings Bank

> ***This is the third of BYFI's Series of Informative Editorials. Previous editorials touched on the Building and Loan Association and the Trust Company.***

WHAT is the average man's conception of a savings bank? Probably, a large, somewhat barny interior, a trifle dusty here and there, with the floor-space divided up into cages and corridors, one or two people standing in front of a teller's window and not many signs of life anywhere else.

What is the average man's idea of a savings bank official? Probably, an elderly, somewhat wrinkled individual, more or less out of touch with the interests, pursuits and ideals of the younger generation, totally devoid of enthusiasm and possessed of a highly developed capacity for saying "no!"

Are these accurate pictures? Do they portray the typical savings bank and the typical savings bank official as they really are?

In a good many cases, yes.

The savings bank, one of the oldest financial institutions in this civilization, has always been, primarily, an institution for the accumulation of idle dollars and, secondarily, an institution for the lending of those dollars, to further personal and public initiative and enterprise, where worthy, at a reasonable rate of interest.

Through the years, the legal restrictions and regulations imposed upon savings banks have become more and more rigid. Measures designed to safeguard the interests of depositors have been enacted in constantly widening scope. Thus, the factor of private management has been more and more reduced to a minimum, and the responsibilities of individual judgment lessened.

And thus these institutions have become increasingly mechanical—almost automatic—in their functioning. Hence, the dull monotony of their interiors and the lack of individuality and vigor in their make-up.

That the savings banks need not have sunk into this rut which so many of them now occupy is open to question. The savings idea has certainly not lost ground. Since 1913—or in the last ten years—total savings deposits in the United States increased from 6.9 billions to 18.4 billions, or nearly treble. On the other hand, the Savings Banks themselves do not seem to have gained ground to the degree attained by other banking institutions. Thus, over the period referred to, and according to A B A figures, Mutual Savings Bank deposits increased some 66%, but savings or Thrift deposits in State Banks and Trust Companies increased 260% and those in National Banks increased 322%.

The fact may be that the Savings Banks, offering only one type of service to depositors, and that a "savings service" cannot keep up with their more vigorous competitors, whose services include not only facilities for Thrift Accounts but also for all the innumerable other financial activities practiced by individuals and clients.

To the individual, the Savings Bank has one chief use: That is, to serve as an agency through which idle dollars may be safely accumulated. The comparatively low interest-return paid by these institutions is not much of a factor so far as the individual depositor is concerned. The average savings account is so small, a difference of ½ to 1½% in interest does not mean very much anyway in dollars and cents. (Of course, nothing in the foregoing should be interpreted as an attempt to justify the practices employed by some savings banks in respect to withholding interest credits on new accounts for lengthy periods following their creation.)

For the purpose mentioned (the Savings-Service) then, and where facilities for Thrift Accounts are not offered by one's neighborhood bank, it may be said that Savings Bank service is ideal. But where the neighborhood bank does offer facilities for Thrift Accounts, and other things are equal, it is difficult to see what the individual gains by discriminating in favor of the strictly-for-savings institution.

¶ ***"This vivid article, contributed by a reader of Building Your Future Income, might well be put before every legislator in the United States. It is a striking condemnation of the recognized evils of mortgage foreclosure and it emphasizes the pressing need for corrective legislation.*** *—Editor, Building Your Future Income.*

The Injustice of Home Foreclosures

How Unscrupulous Mortgagees Hoodwink Buyers—Why the State Should Step In

By "A Reader"

"LOOK out for the pitfalls in buying or building a home." That might well summarize the advice presented some time ago in the excellent little stories by Mr. Jason Thomas to the readers of THE MAGAZINE OF WALL STREET under the caption "If I were Buying—or Building—a Home." And some of us who have struggled with a mortgage debt to reach actual home ownership at last realize that it is mighty good advice, too.

When one's purpose to own a home has been fully realized, there is a certain satisfaction in looking back over the road whence one has come. Only then can the full joy of home ownership be felt. It is like climbing to the top of a mountain and getting a grand panoramic view of green and gold-clad hills and vales that brings a thrill of happiness and satisfaction which more than repays one for the toil of the climb.

There is a craving in every human soul to own something—that sacred feeling born of the right of property—which all the Proudhons in Christendom cannot efface. It is particularly true of that desire for a home, be it ever so humble. "Home!" My home; your home. One of the most precious words in the English language; yea, in any language. How vividly it recalls the happy days of childhood, the buoyant aspirations of young manhood and womanhood, the glowing plans and precious fruitage of hopeful matrimony, the peace and enjoyment of the autumn days of life! That is "home" as I understand it; and would that every living soul in America could call the place of shelter he inhabits—"my home!"

And yet there are those in this great country of ours who would deprive the home buyer of this wonderful treasure house of happiness. Yea, more than that; those who deliberately plan to keep a debtor out of his heritage; who carefully dig a pit, cover it with fair promises or impossible conditions, and then await the day when the unwary victim will fall therein. But it is the proposed victim, the struggling home buyer, whom I would protect. For him my sympathy and my sense of justice are aroused. Imbued with these two sentiments, I am going to write first a true story and then try to tell very plainly how I would protect a mortgagor from that dreaded pitfall—the loss of one's home by foreclosure.

It Happened in Massachusetts

The scene is laid in a small town, suburb of Boston. A young couple with two children wanted to own a home. The husband was on a small but regular salary. The two had saved seven hundred dollars which they could pay down if they found a house for sale within their means. Not an easy task in that densely-populated, wealthy commonwealth. They consulted a real-estate dealer—a man more talkative than scrupulous—who found a house that suited them. The savings of the couple were paid down as a first installment and a mortgage given for the balance of the debt.

Being young and unsophisticated the home buyers did not scrutinize very carefully the conditions of the mortgage. It seemed simple and plain enough. It was to run five years after which it might be renewed at the option of the lender. They were to pay interest semi-annually at 6 per cent a year, with the privilege of paying off any part of the debt in multiples of \$50 at any interest-paying date before maturity.

Though the mortgage did not say so, these home buyers were assured that there would likely be no difficulty whatever in having the mortgage renewed. But that was a dangerous pitfall—an oral conditional promise and not a written agreement. Such a statement has no standing in court in the face of a recorded mortgage.

With persons of experience certain safeguards would have been demanded before paying down their savings and signing such a mortgage. But not so with

> ***SAYS THE AUTHOR:***
>
> ***"In a really civilized state, and under a legislature which actually had the welfare of home-owners at heart, the law would give no advantage to either debtor or creditor but would aim to protect them BOTH!"***

these young home buyers. They walked into the trap set for them when they stepped into what was for a few years to be their home. For five years they met their interest payments regularly and paid down $1,200 more on their mortgage. Then the period of maturity arrived. With all confidence the young home buyers went to have a new mortgage made out and renewed for five years more. The agent was very sorry; the person who owned the mortgage needed the money—must have it in fact; and, unless it was forthcoming, the home would have to be foreclosed at once. And that is what really happened. This young couple lost every dollar they had put into their prospective home and were thrust out into the world to begin saving all over again. They had fallen into the clutches of an unscrupulous loan shark who robbed them of all they possessed. That word "robbed" is rather a harsh one to use, but under the circumstances I know of no word which better expresses the facts in the case.

> *THE AUTHOR ALSO SAYS:*
>
> ***"If a debtor cannot meet the payments of interest and principal on his loan, it is a safe guess that some misfortune prevents him from doing so. To foreclose a mortgage as a rule is simply to take advantage of a poor man's misfortunes, and this is almost as bad as downright robbery!"***

The Law of the Land

Now let us not think for one moment that this is an isolated and unusual experience. It is not. The writer happens to be in a position where he knows absolutely that many home buyers are losing their homes every year in every state in the Union. Forced sale of homes arises from two sources—non-payment of debt and non-payment of taxes. There is nothing voluntary about these obligations. They must be paid. Both are really debts—one to an individual, the other to the state. Interest is the payment due for the use of credit, the security for the debt being a mortgage on the home. The nominal owner is left in possession, but the creditor is given the right, if interest on the debt or the debt itself is not paid in due time, to turn the owner out or to sell the home and pay himself out of the proceeds of the sale.

Taxes, on the other hand, if unpaid, constitute a lien on the home which takes priority over every other claim whether recorded against the property or not It is a manifestation of the merciless power of the state. In this case, also, a home buyer who cannot pay his taxes is in exactly the same position as one who is unable to pay his interest or principal—he is liable to have the home sold over his head and he with his family may be forced to give up his home. At least he will have to pay double interest if he does not pay his taxes.

While there are thousands who do not lend money with any such intention in view as the foreclosure of a mortgage on a home if interest or principal cannot be paid at the stipulated time, there are many others who make a practice of just this thing. A home buyer may have an equity in his property equaling one-half or more of its value, while a creditor's lien may not be as much as that. But, under foreclosure proceedings, a debtor is liable to lose all he owns in his home. This is one of the crying evils of civilization—the utter disregard of a debtor's rights.

Oh, I know what someone is going to remark, namely, "That the laws of most of our states provide that, when a home is sold under foreclosure, any balance remaining, after deducting the cost of the proceedings and the amount owing the creditor, shall be turned over to the debtor." True enough; but who ever heard of a mortgagor getting any equity out of a property sold in this manner? The law of the land as it now stands is not protection enough. I would amend every state law so as to give a home buyer absolute and not contingent protection against loss of his equity. Some states have taken steps in the right direction, but they have not gone far enough by any means. Let me cite one or two instances.

And, first, the dear old State of Massachusetts, within whose borders happened the very crime I have mentioned. Back in April, 1914, Massachusetts passed an act to enable credit unions to make mortgage loans to their members on the amortization plan. While the law permitted a borrower to be fined for failure to pay when due the interest, any installment, or additional charge required by the terms of a mortgage loan, it also provided that "no mortgage shall be foreclosed because of such delayed payments or fines unpaid, until the sum thereof is, in the opinion of the directors, so large as to cause the total liability of the borrower to exceed two-thirds of the value of the property pledged."

While this was a step in the right direction to protect a borrower against undue haste in foreclosure proceedings, it was not sufficiently broad to cover the evils thereof. The law applied to local cooperative credit unions only and did not apply, as it ought, to every home buyer in the state.

Again the Province of British Columbia in the Dominion of Canada passed a law in 1919 which authorized the making of mortgage loans on real property through a provincial board. In case of a forced sale of a mortgaged home because of default on the part of a debtor, the law provided that, after paying all moneys due the board and all expenses incurred in relation to such sale, "the balance, if any, shall be paid to the persons entitled to receive the same." But this province also went one step further. It provided that, instead of selling the home, the board could lease it for a term not exceeding ten years, and that any remaining rent and profits derived from such lease, after paying the annual charges due the board, should be paid to the mortgagor. But even these steps are not enough to protect the full rights of a struggling home buyer with a mortgage on his home.

> *WHAT DO YOU THINK?*
>
> ***In connection with the accompanying article, readers of BYFI are invited to express their views as to the practicability of the remedy suggested, i. e., passage of legislation that would prohibit the sale of property under foreclosure except at its appraised value.***
>
> ***In your opinion, would such legislation be practicable? And, if so, would it be a just law, or would it constitute an invasion of the rights of the mortgagee as serious as the frequent past invasions of the rights of the mortgagor?***

The Crime of Foreclosure

There is no reason why a creditor should be given a legal privilege to take all of a debtor's property simply because the creditor has a mortgage which covers the value of part of the property only. All any creditor can equitably claim is the amount of his loan, the in-

terest thereon, and any expenses to which he may have been put in case of a forced sale. This principle is recognized by state-controlled mortgage banks in some countries of Europe. It is based on equity and not on legalized robbery, such as existed in old Roman times when a creditor, in case of the non-payment of his claim, was given possession of both the debtor and his family. The march of civilization has modified this extreme iniquity by limiting a creditor's claim to a debtor's property rather than to his person, but the difference is only one of degree and not of principle. To permit a creditor to take property worth $5,000 for a debt of $1,000 is to legalize a system of deliberate stealing. This is what our present system of real-estate foreclosure too often permits.

Foreclosures Spell Misfortune

No home buyer should be deprived by foreclosure of the equity he owns in his home, for no sane man wants to lose what he has inherited or, perhaps, what he has accumulated during a lifetime of sacrifice and saving. And the dread shadow of foreclosure deepens as a mortgagor passes the zenith of his life and works with less efficiency through the coming years. If a debtor cannot meet the payments of interest and the principal of his loan, it is a safe guess that some misfortune prevents him from doing so. To foreclose a mortgage as a rule is simply to take advantage of a poor man's necessity, and this is almost as bad a practice as downright robbery. It seems too much like penalizing a debtor for misfortune. A law by a really civilized state—by a legislature which has the real welfare of the home buyer at heart—would give no advantage to either debtor or creditor, but would aim to protect both. That is the meaning of equity, and surely its principles should be practiced where it concerns the retention or the loss of that beloved place we call "our home."

The description of a home buyer struggling under the burden of a mortgage and dreading its foreclosure does not make a pleasant picture. Contrast it with the condition of an American home buyer. Expenses pile upon him from beginning to end. An application fee, cost of abstract of title, examining abstract, recording fee, stamp taxes, commissions, state and county taxes, worst of all often municipal taxes, interests, payments on principal, insurance, home upkeep—items of expense which must be met however much a home buyer's family may have to go without some of the luxuries and even the necessities of life. And like the poor woodman, the man with a mortgage on his home fears his creditor will take his home at last! This has happened too often not to warrant a hope for protection against so dire a calamity.

A Real Job for Legislators

Oh, ye legislators! Let me outline a real job for you! Just do your best to have a law passed which will require that no home shall be sold under foreclosure except at its appraised value. Since it is customary not to sell a home except at a price which will fully remunerate the owner who sells voluntarily, why should it not be equally right to do the same thing in the case of a nominal owner who has a sale forced upon him by a lien holder? That is what I would do if I were in the legislature of Massachusetts or of any other state.

Suppose it is so that no other state or country has ever passed such a law. What is that to thee, thou legislative sluggard! Let us make progress or cease legislating. Why follow the thoughtless rabble when you can be a real leader of thinking men and women? That is your job not only to truly represent the best of your constituents, but even to go ahead of them in legislative paths yet unexplored.

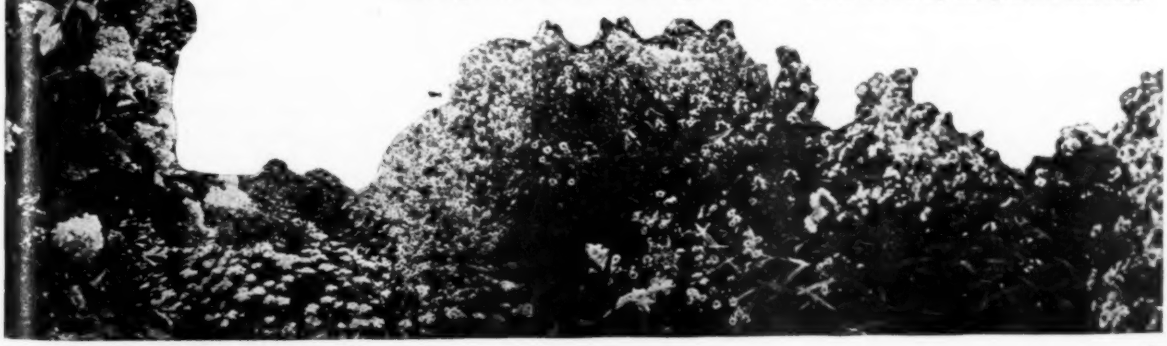
But there is a country which has gone far in the right direction in protecting a debtor against injustice. Let us go to much despised Germany and learn a lesson from her annals. Long, long before a small group of militarists seized her people by the throat and thrust them headlong to the very verge of chaos, the German government passed a law which gave the Landschaft associations, a body of large landowners, the right to borrow money on the collective credit of the members by the issue and sale of bonds to the value of the mortgaged real estate. But if it becomes necessary to sell a debtor's home and land, it is usually sold at auction in the open market. And before the sale, the property must be appraised to determine its present value. If it is valued at $50,000, this amount may be realized at public sale. Suppose an association has a mortgage on it for $25,000; then it collects that amount from the sale price, together with the costs of sale and other incidental expenses, and the difference of nearly $25,000 is turned over to the owner who had failed to meet his obligations. In this way every consideration is given to a debtor and his equity is generally secured to him by this method of procedure.

Now this is your job, Mr. Legislator, to take a step in advance of Germany and do your best to pass a law which will insist that no home shall be sold under foreclosure for less than its appraised value. In that way you may expect to do justice to a buyer who is paying for a home out of his savings. In that way you will do injury to neither party while conserving the rights of both creditor and debtor. In that way you will encourage thrift and aid sound investment. In that way you will develop a class of home-owning citizens who will do their part in stabilizing business and national prosperity.

In the Interests of Fair Play!

That is your task, Mr. Legislator. Go to it in the interest of fair play, honest dealings, and property rights. It is a task worthy of the efforts of every fair-minded legislator throughout the length and breadth of our land. And that is how I would protect the man or woman who is thinking of building—or buying—a HOME!

(Ed. Note: Will "A Reader" kindly advise BYFI of his present address.)



"Getting There Together"

A Pennsylvania Reader Describes a Successful Investment Association

A FEW weeks ago, Building Your Future Income published an account of the development of an Investment Association in Chicago which had been flourishing for some years, according to its sponsors, and attained a considerable degree of success. At the same time, and realizing the widespread interest in this subject, BYFI invited its readers to tell about other private Investment Associations which they happened to know of, and thus aid this department in collecting and presenting the most practical data on the subject available. Among those responding to this invitation was a reader in Pennsylvania who, for obvious reasons, prefers to remain incognito. He writes as follows:

"We have a club partnership for investments that may be of interest to your readers.

"About four years ago, a few of us clubbed together with what listed securities we had, and what money we had to invest, but without officers or organizations. We made our shares ten dollars each.

"We figure the value of our shares the first of each month, taking the closing quotation as the value. We add to this what commissions would be required to purchase the securities we have, and also dividends earned and not paid, when stocks are ex-dividend.

"Deducting from this any liabilities we may have, and dividing by the number of shares gives us the exact value of each share. We pay dividends monthly.

"The dividend varies with the value of the shares and not from amount of the dividends. Shares with the value of between ten and eleven dollars would pay a dividend of five cents each. Each dollar increase or decrease in value of a share means an increase or decrease in the dividend rate of one cent per month.

"On today's market, our shares are worth between sixteen and seventeen dollars, at which valuation they would pay eleven cents per share in dividends.

"Any number of persons may take any number of shares they wish, or may withdraw any number of shares they may wish on the first of any month.

"When withdrawing, of course, the percentage of cost of selling securities would be taken from the value of the shares as figured for investment.

"There is absolutely no expense connected with this plan, as our bookkeeping is so simple. Two or three hours' work a month is all that is necessary, and this one of our members voluntarily does. The item of postage is too small to be considered.

"We have at present sixteen members, with a net value of shares of $110,000.

"We carry a debit balance with a broker for the reason that it is convenient for us to send any moneys in for investment and receive credit on account, and to get money when necessary to help out any payment of dividends."

The writer of the above is herewith thanked for his cooperation in describing his plan for us, and other readers who know of similar associations, now active and successful, are invited to follow his example. It may be noted that our readers are particularly interested in the Articles of Agreement by which each association is bound, and this feature might well be covered in detail in future descriptions.

Points for Income Builders

Brief Definitions of a Few More Types of Banking Institutions

IN the July 19th and August 2nd issues, Points for Income Builders offered brief definitions of some of the more important types of banking institutions, including Savings Banks, National Banks, State, Federal Reserve, Federal Farm Loan and Joint Stock Land Banks.

There are several other definitive terms, applied to banking institutions, which cover specific phases of their operations. Some of these are briefly defined in the following:

Country Bank

The term "country bank" is to a large extent a misnomer. It is merely an arbitrary term, used under the Federal Reserve Law to designate all national banking institutions not situated in a reserve or central reserve city.

Discount Bank

A "discount bank" is defined by Crowell as one which has been "organized primarily to trade in foreign and domestic bills of exchange, to create a current market for them and to facilitate the business of exports and imports."

Labor Banks

The term "labor banks" has been given to the numerous banking institutions which, in recent years, have been organized by officials of large labor brotherhoods and whose clientele is largely confined to members of the interested brotherhood. The first bank in this field was formed in Cleveland some few years ago, and numerous similar institutions have sprung up since then. These institutions, due to the affiliations of their sponsors, have, in many cases, attained a considerable degree of success almost from the start.

Member Bank

As concerns the Federal Reserve System, a "member bank" is any national bank, state bank or trust company having membership in the system. The number of member banks is believed to represent about one-third of all the banking institutions of the country, and includes practically all of the larger institutions.

Interior Banks

This is another purely arbitrary term, applied to all banking institutions not located in the financial center of New York.

Bank of Discount

A bank of discount is one which "discounts" promissory notes and bills of exchange. That is to say, it buys accounts receivable from business houses, less a certain discount, for which it pays cash, in this way liquefying the credits of the houses concerned. The term "discount" means "the amount taken off"—that is, an allowance representing interest deducted or collected in advance.

Co-Operative Banks

The term "co-operative banks" is rather loose, applying to organizations like Building & Loan associations formed by a group of individuals and operated in their interests.

Acceptance Bank

An Acceptance Bank acts in foreign and domestic commerce by buying and selling "acceptances," or bills of exchange the drawee of which, by a formal acceptance, has made same his own obligation.

Providing for a College Education the Life Insurance Way

What Kind of Policy to Take Out and How It Should Be Written

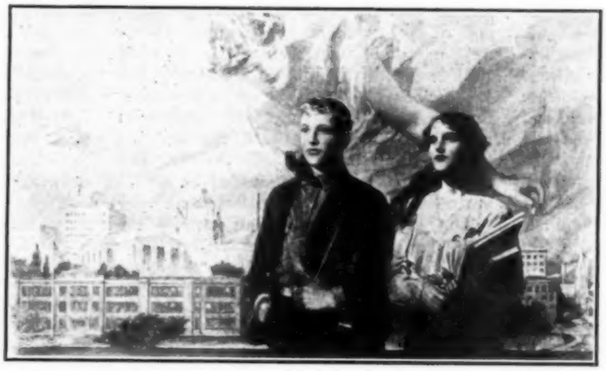
By Florence Provost Clarendon

My wife and I are the proud parents of a son, born last month. It is our first child. We are desirous of making some provision for his education by taking out insurance which will provide him with a fund of about $2,000 at age 19 or 20 when we expect he will be entering college.

My insurance agent recommends an endowment policy for such a purpose. I am now carrying $8,000 Straight Life and $2,000 20-Year paid up, in three companies, Mass. Mutual, Equitable and Metropolitan.

I am a firm believer in insurance and wish to add to my protection as fast as convenient. I am 38 years old and in very excellent health, so that I am not restricted in any way as to kind of policy, etc., and can take advantage of the best rate.

I would appreciate your advice in this matter as to the kind of protection I should take out and as to the proper way to write the policy so that the child will be fully provided for as far as his college education is concerned, in case I should die before the maturity of the same.—H. E., Battle Creek, Michigan.



I would suggest that you consider a 20-Year Endowment Policy in the sum of $4,000 on your own life, with your child as beneficiary. In this way the education of your boy would be provided for even if your death should occur prior to the maturity of the Endowment. The manner in which the proceeds of the policy are to be paid should be endorsed on the policy when it is issued.

The usual purpose, of course, is to supply a monthly income during each of the nine or ten months of the college year extending over four years. You suggest a fund of about $2,000, but it would be preferable to increase this amount to $4,000 in order to provide proper maintenance for the student. The proceeds of the policy should be paid as an income during the ten months in each of the four college years.

It is frequently considered desirable to plan that the payments be made in uneven amounts—as, for instance, a lump sum of $300 in October and in the early Spring following, to meet the necessary tuition payments required by the college at those periods leaving an income of $50 a month payable to the student during the remaining eight months of the college year. The vacation period may be left unprovided for because there would be no college expenses at that time and the student could either spend his holidays at home or, if he be of a thrifty disposition, could obtain some remunerative employment to tide him over the summer months.

The 20-Year Endowment policy would provide that the sum insured would be payable at your death in case of death during the twenty years. There should, therefore, be an agreement with the company that, in event of your death prior to the maturity of the Endowment, it would hold the proceeds of the policy at interest and accumulate the amount until your son needed the money for his college course. The amount would then be payable to him beginning in his 20th year with subsequent payments during the following four years as arranged by you, and as stipulated in an agreement that may be attached to the policy.

You should also have a clause to the effect that the money is intended solely for the purpose designated and that it cannot be assigned by the beneficiary nor diverted to creditors or other claimants. Against the possibility of the child's not living to use the proceeds of the Endowment, another beneficiary could of course be named by the insured.

If the endowment on your life for this purpose were issued with the Disability Benefit included, it would still further guarantee that your wishes would be attained for, in event of your becoming permanently disabled at any time during the premium-paying period of the Endowment, no further premiums would be required although the Endowment would still be payable in full when the child attained his twentieth year.

WHAT INSURANCE FOR A BOY, 16?

Why a 30-Year Endowment Policy Should Be Most Suitable

For some time I have been reading your very interesting articles on Insurance. As I am contemplating taking out some form of life insurance for my son, who is 16 years of age, and as I am undecided as to just what would be the best form in his case, I would be thankful if you would enlighten me on this subject.—W. F. S., San Francisco, Cal.

In selecting life insurance for a boy of 16, it is well to take into account the psychology of a youth of his age. Having no responsibilities in the way of dependents now, life insurance with the primary thought of family protection in after life would not be so apt to appeal to him as the idea of a fund built up for his personal benefit later on.

I would, therefore, suggest that you consider a 30-Year Endowment policy for your son which would yield to him, say, $5,000 on his attaining age 46. At that time, his business or professional career should be well established, and the proceeds of his Endowment would give him funds to divert towards the building of a home, the development of his business or for some other purpose of a similarly personal nature.

A policy of the kind suggested, when taken at the young ages, has an advantage which is paramount to the pecuniary return: it encourages and trains the insured in the habit of systematic and regular saving. Such a habit, of course, proves of inestimable value to one who is starting a business career, by which time the young man should himself assume responsibility for the premiums on his Endowment.

In a participating company, under which premiums are reducible by annual dividends, a 30-Year Endowment in the sum of $5,000 taken at age 16 would require an annual premium of about $152. In a non-participating company with level premiums through the premium-paying period, the annual cost would be approximately $120.

B. Y. F. I's. Recommendation Page

Some Specific Suggestions for Investing Smaller Sums

READERS of Building Your Future Income have not exactly swarmed into the investment market in order to act on the suggestions made in the Recommendations Page; nevertheless, letters the department has received and also some personal communications indicate that the suggestions are being noticed and encourage the belief that, as time goes on, more and more of those having comparatively few dollars to put to work will consider the opportunities pointed out here before lending their ears (and their pocketbooks) to fake stock salesmen and get-rich-quicksters.

Get-Rich-Quicksters Again Active

Incidentally, it may not be out of place to note here that gentry in the latter class referred to above—that is, the get-rich-quicksters—are getting back into the game, now that security prices are beginning to attract attention again. The Department was recently advised of one group with headquarters in New York City whose members are making telephone calls as far west as Minnesota in their efforts to attract buying orders for a particularly cheap oil stock; and this is only one of several cases that might be cited indicating that the old tricks are being taken off the shelf, burnished up and put into operation once more.

Under the circumstances, the Department is eminently justified in advising Income Builders to select their security commitments with particular care from now on. They may not wish to act upon the suggestions offered here, or they may wish to have additional suggestions, over and above the few which it is possible to present in the narrow limits of this page; but, whatever suggestions they do act upon, it is to be hoped that the suggestions will be weighed with the greatest care, and that pains be taken to avoid purchases which will tie up the capital involved for an indefinite period or seriously jeopardize it.

Securities Acting Well

Of the securities previously selected for recommendation on this page, all have acted well during the active period which has developed in the security world. But in no case do the price advances seem to have gone far enough to seriously impair the investment attractions of the individual issues. This is especially true of *American Telephone & Telegraph stock*—one of this Department's first recommendations—which, while it is undoubtedly one of the soundest corporation stocks on the market, is still available to yield well over 7% on the investment. For Income Builders who have gotten past the Savings Bank stage and who wish to put dollars to work at the greatest return commensurate with safety, this issue can still be recommended as an investment medium of rare attractions.

As frequently pointed out here in the past, American Telephone & Telegraph stock presents a special appeal to smaller investors, aside from its inherent investment merits, in that it may be purchased on an extremely attractive instalment plan through a distributing organization maintained under the Bell system, for the special purpose of securing a wider public ownership of the issue.

American Smelting & Refining preferred, representing a metal mining and manufacturing company of world proportions, has gained three points since it was first suggested here. However, it, too, continues to offer an attractive yield (6.75%) considering the high degree of safety. As a specific opportunity, *American Ice* continues particularly attractive in view of the unusually high yield offered—about 7.40%. It seems apparent that this preferred stock is "out of line," even if it is somewhat lesser known and comparatively inactive than the others mentioned, and no reason appears for withdrawing it from the list offered herewith.

BYFI'S RECOMMENDATIONS for SMALL INVESTORS

$100 Bonds

	Recent Price	Yield to Maturity
American Water Works & Elec. Corp. coll. tr. 5s	92½	6.00%

Preferred Stocks

	Per Share Dividend Rate	Recent Price	Yield
American Smelting & Refining Co. ..	$7	103½	6.75%
American Ice	6	81	7.40
U. S. Realty & Im.	7	103	6.80
Amer. Woolen ...	7	100	7.00

Common Stocks

	Per Share Dividend Rate	Recent Price	Yield
Amer. Telephone & Telegraph	$9	125	7.20%

NOTE.—This table of recommendations, a new and practical feature of BYFI, will grow in size as opportunities develop. The effort will be made to keep the table up to date, and Income Builders are invited to keep in touch with it. Security is the primary aim in making the selections, but income-yield, marketability and other ordinary investment factors are also considered.

Some New Suggestions

New suggestions offered with this issue of the Recommendations Page include the preferred stock of the *U. S. Realty & Improvement* company, available to yield around 6.80%, and the preferred stock of the American Woolen Company to yield around 7.00%. It should be noted that these additions are more or less arbitrary, prompted by a desire to increase the representation of preferred stocks in the recommendations table, and that they are not suggested for exclusive purchase. If the Income Builder finds that his funds are not sufficient to enable him to purchase more than a single issue, and he is willing to take the risk of putting all his eggs into one basket, the American Telephone issue seems the most logical one to select for the purpose. Previous issues of THE MAGAZINE OF WALL STREET have described the merits of both the U. S. Realty and American Woolen issue and frequent references to both companies appear in the Magazine.

Answering a Question

A reader of the Recommendations Page has inquired whether it would not be good policy to spread a total capital investment of $5,000 over a list of 100 or more Baby Bonds, with the idea of securing complete diversification. The answer to this question is that diversification, like any other good idea, can be carried to extremes, and it is as possible to have *too* many irons in the fire as it is to have too few. Very satisfactory diversification can be obtained through a program involving not more than eight or ten securities, and in addition the marketability of each commitment will be greater, because a more marketable block will be owned, while the amount of energy and time necessary to keeping track of the whole program will not be so great.

School for Traders & Investors

Thirty-Seventh Lesson

Limitation of Losses Essential to Successful Trading

The Insurance Value of the "Stop Loss" Order

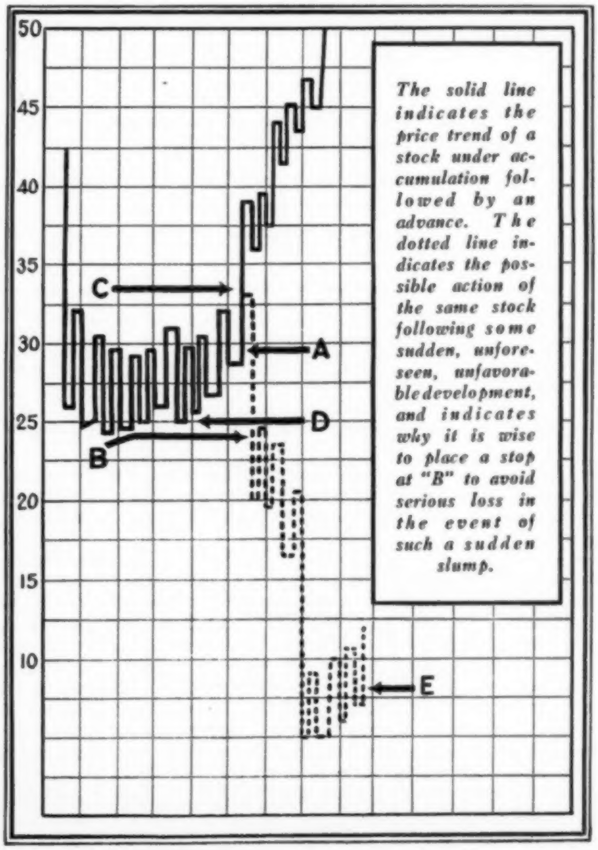
NOW and then one hears a *temporary* trader remark, "I never take a loss. If a trade goes against me I wait patiently for it to swing the other way, for sooner or later it will offer me an opportunity to get out at a profit." Many examples might be cited to show that this type of optimist would require a long purse and infinite patience in order to make good his assertion.

Imagine how this theory would work with one who bought U. S. Rubber at 143 in 1920, or Marine Preferred at 87 in 1922, or Atlantic Gulf & West Indies at 176 in 1920, or Virginia Carolina at 92 in 1919. Also imagine the position of one who sold short such stocks as Woolworth, General Electric, Associated Drygoods, and U. S. Cast Iron Pipe on certain past occasions when these issues "looked toppy," and you will have a rough idea of what happens to the trader who "never takes a loss."

The outlook for the trader who will not take a loss is hopeless, for he operates on the theory that his position cannot be absolutely wrong. Next in order comes the trader who will not limit his loss because he *hopes* that the market will take a turn for the better before he is badly crippled or completely wiped out. There is some hope left for this type of trader if he will mend his ways, and accept the second cardinal principle enunciated in our thirty-fifth lesson, i. e., *limit losses; place stops at technical danger points on all trades, and if the location of the danger point is uncertain use a 2-point or a 3-point stop, or await a better opportunity.*

Like all good rules, this one must be properly interpreted, and a little common sense must be used in its application. For example, it would be useless to apply this rule mechanically, and at the same time violate one of the other cardinal principles of trading, such as "buy during weakness." It should be apparent that the purchase of a stock that has just advanced ten points cannot be protected consistently with a 2-point stop, for it is a common occurrence for such an issue to react from 4 to 6 points before it proceeds with its advance.

The accompanying illustrations will indicate our idea of the proper use of stop-loss orders. Suppose the solid line represents the price movement of a certain stock that has declined from higher levels during a period of liquidation, has encountered resistance to selling pressure at the 25-level, and is apparently re-accumulated between 25 and 30. If this issue is purchased at the favorable point "A," as it advances from its rising support level, the trade may be properly protected by a stop at level "B," a little below the bottom of its zone of apparent accumulation. In this case a stop of about 5 points is required.



The solid line indicates the price trend of a stock under accumulation followed by an advance. The dotted line indicates the possible action of the same stock following some sudden, unforeseen, unfavorable development, and indicates why it is wise to place a stop at "B" to avoid serious loss in the event of such a sudden slump.

Suppose the trader prefers to postpone his purchase until the stock shows sufficient strength to rise up completely above its zone of apparent accumulation, and buys at level "C." As the price may either continue to rise, or experience one or more dips below the purchase price before it finally proceeds with its advance, it is logical also to protect this trade at level "B," requiring a stop about 8 or 9 points away from the purchase price. Only in the case where the purchase is made during one of the dips to around level "D," is it logical to operate with as small a stop as 2 points, because the proper place for the stop is at a level that will represent a probable complete change in the character of the movement and indicate new weakness not theretofore apparent.

The trader who purchased at "D," "A" or "C" believes that the stock is about to advance. A reaction from about the level "C" need not concern him unless it goes far enough to indicate that the former buying support is entirely withdrawn, and some *new weakness* has developed. This is sometimes difficult to determine from purely technical considerations until the price has broken through the level "B." However, if some sudden fundamental development of an unfavorable nature becomes apparent to the trader at the time the stock reacts

(*Please turn to page 645*)

Public Utilities

Are Electric Railways on the Road to Prosperity?

What the Revival of Interest in Their Securities Indicates —The Dissimilar Outlook for Various Traction Groups

JUST twelve months ago it was the policy of investment bankers to speak of public utility properties in terms of just how little they were dependent on electric railway operation. Need anyone ask the reason? How could public utility securities otherwise be sold when security buyers were as one in the belief that profits from traction operations would always and forever be a minus quantity?

SALIENT FACTS ABOUT THE ELECTRIC RAILWAY INDUSTRY

1923 was a record year from the standpoint of:

—Number of cars in service,
—Number of car miles run,
—Number of passengers carried,
—Amount of gross revenues received.

But net profits were smaller than in the previous year!

And there was no increase in miles of track operated!

The motor bus has been pressed into service to such an extent that:

—115 electric railway companies now use them as feeders or auxiliaries,
—13 bus lines have altogether replaced electric railway systems,
—5 electric railways now operate trackless trolleys.

Of the 13 bus lines which have superseded trolley systems, 9 are operated by the old street railway company!

But that was last year. We now have the spectacle of traction issues featuring the market in their price advances and investment bankers jockeying for positions of vantage in the expected demand for the new money on the part of traction companies. What a change in one year's time!

To some extent it has been justified. There can be no doubt about that. Many traction companies are now actually making money on their junior stock issues from their operations and the outlook for certain divisions of the industry is better than it has been for the past five years. This is particularly true of the subway or elevated systems such as in Chicago, Boston and New York. The steady increase in passenger traffic over these systems and the steady decline in operating costs within recent months have meant sizable increases in net income. Higher fares have also done much to improve conditions in this division of the industry in several cases, but even in New York where the fare is still 5c, the subway and elevated systems have apparently gotten back on a profitable operating basis.

It is this improvement in the New York traction situation that has probably had greater effect on all traction security prices than any other single factor. The public evidently has reasoned that improvement in one quarter or in one division of the industry should be shared by all other divisions. Which is about the same as believing that because one company in an industry is making money, all the others should be doing likewise.

Last Year's Results

A great deal in respect to the traction situation is to be gleaned from an analysis of results from last year's operations, the statistics of which have been compiled by the American Electric Railway Association. These statistics show that in 1923 the electric railways did a larger volume of business than in any other period of their history measured from more than one angle. It was a record year from the standpoint of the number of cars operated, the number of miles run, the number of passengers carried and the amount received in the way of gross revenues. The increase was not at all great as compared with the previous year, however, but merely served to show that the industry as a whole was making some headway.

Total revenues of companies representing something like 80 per cent of the industry showed an increase of 2.8 per cent. But operating expenses increased 3.9 per cent, and operating ratio rose from 72.8 to 73.7, indicating the prevalence of unfavorable operating conditions. These were the high cost of labor (which constitutes nearly 45 per cent of operating expenses) and higher commodity prices particularly in the first half of the year.

As a result of unfavorable operating conditions, net revenues declined compared with 1922, the total decrease amounting to approximately 0.4 per cent. Part of the decline may be attributed to the fact that average fares were slightly lower last year than the year before, as indicated by the accompanying graph, which also resulted in a smaller proportionate increase in gross revenues than in the number of passengers carried.

The most significant developments, however, are to be found from a comparison of other figures. For one thing, there was a substantial decrease in the number and capitalization of companies going into receivership, and an increase in the number and capitalization of companies emerging therefrom. Then there was a decided increase in the miles of track rebuilt, a small increase in the miles of new track laid and a marked decline in the number of miles of track abandoned during the year as compared with 1922 and the four preceding years. These are the real indications that the industry has at least stopped its downward plunge into total bankruptcy. The fact that there was still no increase in the total number of miles of track operated, is evidence

A Practical Index of the Traction Situation

Year	Miles of New Track Laid	Miles of Track Rebuilt	Miles of Track Abandoned
1923	233	854	240
1922	212	740	540
1921	147	615	311
1920	176	362	538
1919	140	391	402
1918	314	155	531
1917	376	375	*
1914	717	NF	*
1913	975	NF	*

*Figures not available for these years, but are estimated to have been practically nil since they were not sufficiently large to warrant a compilation.

NF—Not available.

enough that the tractions must yet give proof that their's is an expanding industry. And unless an industry is expanding it cannot be said to have any degree of real prosperity.

But to get back to operating statistics. The 1923 operating results show other things of interest to the investor such as the fact that conditions varied in different parts of the country and most decidedly in different divisions of the industry. While the traction systems or surface lines of the various large cities showed a smaller increase in net operating revenue, their net income after all charges was greatly reduced. Interurban lines made the comparatively poorer showing, and the combined city and interurban lines were able to do fairly well. The explanation of this will be given later .

There was also a distinct difference in results from the standpoint of size of various companies. Of the city systems, the largest did fairly well, while those of medium size showed substantial improvement. Small companies, that is those having annual revenues of less than $250,000, continued their downward plunge toward absolute and final obscurity. The large size interurban systems made the best showing in their group with the smaller companies operating at a still greater deficit.

All of which should certainly indicate to the reader that the outlook for one traction company or one group is no indication of the outlook for another.

Recent Developments

Since the first of the current year there have been several important changes in the general traction situation. Average fares have been increasing. The figure is now back to 7.43c. compared with a previous average at but 7.31. This will mean a fair-sized increase in total gross revenues for the current year, and will help to remove one unfavorable operating condition. Commodity prices have been going lower which will also be of benefit to the traction companies. The cost of labor, however, is still at a high point and cannot be expected to decline.

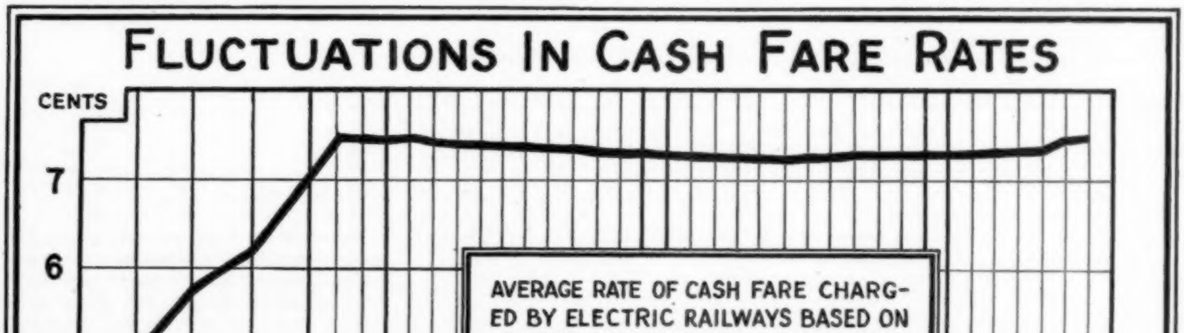
An increase has taken place in the buying of new equipment and in the laying of new track. It is yet too soon to tell how great this increase will be for the entire year, but the number of orders already placed for various items are in excess of the total placed for the whole of last year. Many companies are now pushing an actual campaign of reconstruction, in the firm belief that a period of better times and increased traffic lies immediately ahead.

Some authorities place a great deal of significance on the fact that large holding companies and investment bankers have been recently buying control of various traction properties. It has been pointed out that the Electric Bond & Share Company, which is one of the largest holding companies in the public utility industry and one which until lately confined its operations to electric light, power and gas properties, is now the owner of the New Orleans Railway & Light Company, the Memphis Street Railway, and several others of equal importance. Fitkin & Company has purchased control of the Northern Ohio Traction Company, and the General Gas & Electric Company has purchased the Salisbury and Spencer Railway. Evidently these organizations have faith in the traction outlook.

A tabulation of statistics for the past year shows 115 companies operating 1,110 buses as co-ordinated branches of their systems, and 5 electric railway companies operating trackless trolleys. Street railways have been entirely replaced by buses in 13 different localities. Since the first of the year there has been a remarkable increase in the number of buses in operation, which signifies that the present tendency is toward the motor bus where it can be used to advantage.

In this connection it is interesting to note that of the 13 bus lines which have actually replaced trolley systems nine are being operated by the old company. This will probably be the ultimate outcome of the present controversy between the bus and trolley companies. The trolley companies, which are better established, will no doubt gradually gain control of bus operation even where it is now conducted by independents, and there seems to be little cause for alarm lest bus competition will mean the ruination of present traction organization.

(*Please turn to page* 659)



Mining

Am. Zinc, Lead & Smelting Co.

American Zinc Still Suffering from Financial Shell Shock

Zinc mining in the Rockies. A typical mining community at Gilman, Colorado

Paid Fantastically High Prices for Acquisitions During War Period—Severely Hit by Decline in Spelter Market—The Outlook

WAR prosperity proved to be too much for American Zinc, Lead & Smelting. In the case of an individual the resulting condition would be described as shell shock. In the case of a corporation perhaps financial shock is as good a descriptive term as any. The flood of war profits which the company enjoyed in the years 1915 to 1917 turned that corporation's head, if it be possible to turn the head of a corporation. Unwise expansion followed, as happened in hundreds of other similar instances, and when the war ended and the price of zinc collapsed, American Zinc found itself saddled with a considerable debt and an aggregation of newly acquired properties for which, as appeared in retrospect, fantastically high prices had been paid.

Prime Western Zinc or Spelter, as the trade knows the metal, in 1914 sold as high as 6.20c. a pound and as low as 4.75c. The average for the year was 5.30c. The following year spelter touched 27½c., probably the high price for many years if not for all time, and in 1916 reached a high of 21.17c. This was a golden period for American Zinc. From a company which had showed more or less indifferent results since its incorporation in 1899, American Zinc blossomed out into a full-fledged war bride. In 1915 the company showed nearly 110% on its common stock and in the following year approximately 187½%. The common got up to nearly 30 per share while the preferred came within hailing distance of par at 97⅞.

The American Zinc, Lead & Smelting Co. is a combination of nine concerns engaged in the production and manufacture of zinc. These companies are controlled through stock ownership. In the Joplin district, the company owns in fee simple about 32,160 acres of land and its principal operations are at the Davey property which includes 655 acres and the Vogey mine, a 40-acre tract in the Porto Rico district which began operations in 1909. There are also many mines operated on the company's land in the Granby district under the lease on a royalty basis.

The Granby Purchase

This brings us to the purchase which is one of the main reasons for American Zinc's present unsatisfactory position. Swollen with prosperity, in 1916 American Zinc purchased all the assets of the Granby Mining & Smelting Co., consisting of approximately 30,000 acres of mineral lands in the Joplin district, Missouri, 10,000 acres of coal lands in Illinois, a coal zinc smelter at Granby, Mo., together with all of Granby's quick assets, including cash, ores, spelter, sulphuric acid, etc. For these properties American Zinc paid approximately $8,000,000, of which $6,000,000 was cash. The Granby Co. of Maine (all of whose stock is owned by American Zinc, Lead & Smelting) assumed $2,000,000 first mortgage bonds of the Granby Mining & Smelting Co. This purchase turned out to be very ill-advised. As a matter of fact, considerably harsher terms have been used by others in designating it but it is not our province to deal in recriminations. As it turned out, American paid a "sucker" price for Granby's properties and they have proved to be an old-man-of-the-sea around the company's neck.

Three economic factors contributed to the unfortunate results. The first was the rapid decline in the price of spelter following 1916, as shown by the following average prices for the period under consideration:

	Year's Average Price
1915	14.44c. a lb.
1916	13.75c. " "
1917	9.11c. " "
1918	8.31c. " "
1919	7.39c. " "
1920	8.13c. " "
1921	5.15c. " "

Moreover the high war-time prices for spelter stimulated production to an abnormal degree. It requires comparatively small capital to go into the spelter producing business, and hordes of small would-be capitalists invaded the field. This, in conjunction with the greatly increased capacities of existing producers, flooded the spelter market. The Oklahoma gas zinc smelters, on account of their low costs enjoyed a big advantage over the old-style coal smelters. There

(*Please turn to page* 651)

Trade Tendencies

More Signs of Business Improvement

Commodity Prices Up—Gains in Industry Small But Upward Trend Is Distinct

STEEL

Improvement Noted

SINCE the early part of July, the steel industry has experienced a progressive, weekly increase in buying orders which, though moderate, nevertheless indicates rather definitely that the industry has finally reached the turn. These gains are the more worthy of note in that they include practically all items, although rails and structural steel are in most active demand. The mills have been considerably encouraged by the revival of consumer interest and, in a number of instances, have increased operating schedules. The average rate of steel-mill output is now approximately 45% of capacity compared with 40% a month back.

There has been no departure from hand-to-mouth buying, however, nor is it likely that there will be in the near future, since the conditions leading to such ordering still obtain. Steel prices are no longer declining actively but the tendency toward unsettlement in many items leads consumers to adhere to cautious policies. Moreover, purchasers are in no fear of delayed deliveries under existing conditions in the transportation field. Until more decided evidence of buying against future needs develops, therefore, steel mills will probably permit operations to expand conservatively.

Then again, difficulties in the oil industry and declining building operations would seem to indicate that steel companies' main reliance for business during the fall months will be on the railroad companies and motor manufacturers. Altogether, it seems probable that, while steel companies have reason to anticipate better business, in the light of current conditions progress will be tempered with moderation.

THE TREND IN MAJOR INDUSTRIES

STEEL—Moderate but consistent gain in demand for steel encourages mills to increase operations. Improvement fairly well distributed. Prices unchanged.

METALS—Prospect of European settlement stimulates copper market and leads to sharp recovery in prices. Lead in strong position. Zinc ore advances.

OIL—Price cuts continue as production holds up. Industry carrying heavy stocks and making little progress toward rectification of this situation.

TEXTILES—Conditions beginning to improve. Silk and cotton goods active at rising prices. Woolens resting after recent buying movement.

LEATHER—Sustained firmness in hides being communicated to leather, although conditions in latter industry are still irregular. Footwear in better demand.

MOTORS—Manufacturers preparing for anticipated revival of sales in fall. Reduction in surplus stocks places dealers in better position.

TIRES—Unexpected expansion in tire manufacturing schedules follows reduced July output. Dealers buying more freely as result of improved inventory position.

PAPER—Paper markets affected with summer dullness but underlying conditions encouraging. Mill curtailment has permitted considerable reduction in stocks.

COAL—Declining consumer reserves presage early recovery in soft coal industry. Prices showing considerable stability.

COTTON—Unfavorable weather reports and lowering of Government's estimated yield cause strength in raw cotton. Resumption of mill operations an added stimulus.

SUMMARY—Indications of expected fall revival in business are multiplying, although actual gains are not large and irregularities are the rule rather than the exception. Marked improvement in prices of agricultural products a material factor in reviving confidence. Commodity price level tending upward again.

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1924 High	1924 Low	*Last
Steel (1)	$40.00	$38.00	$38.00
Pig Iron (2)	23.00	19.00	19.50
Copper (3)	0.14	0.12⅜	0.13¼
Petroleum (4)	4.50	3.00	3.00
Coal (5)	1.88	1.88	1.88
Cotton (6)	0.35¼	0.27⅜	0.31⅛
Wheat (7)	1.33	1.01	1.32¾
Corn (8)	1.16½	0.74	1.15¾
Hogs (9)	0.09½	0.06¾	0.09½
Steers (10)	0.10¼	0.09	0.10
Coffee (11)	0.16½	0.10¾	0.16½
Rubber (12)	0.27	0.17⅝	0.25⅛
Wool (13)	0.56	0.50	0.54
Tobacco (14)	0.24	0.22	0.22
Sugar (15)	0.07½	0.04¾	0.05
Sugar (16)	0.09	0.06⅛	0.06⅝
Paper (17)	0.04	0.03⅝	0.03⅝

* Aug. 5.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky,—per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

METALS

Sharp Recovery

The increasingly promising outlook for dissipation of Europe's economic fog is, obviously, the primary influence back of the recovery in copper. Domestic consumption of the red metal has, in the main, been satisfactory despite the letdown in general business, the broad tendency of home demand being toward

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ANSWERS TO INQUIRIES

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B. F. GOODRICH

Earnings Not Impressive

In February you recommended a switch from Sinclair then around 28 to Phillips at 32. I sold the Phillips at 39 and Sinclair dropped to 15. Your judgment was so good at that time that I am asking you now to advise me regarding B. F. Goodrich. Do not recommend a stock in place of it, but give me your opinion on should I continue to hold this stock through the rest of this year in expectation of obtaining higher prices for it?—E. R. L., Memphis, Tennessee.

B. F. Goodrich for the six months ended June 30th, earned $2.51 a share on the common stock compared with $2.86 a share for the same period of 1923. Earnings in the last six months, however, are not expected to be as good, for prices of tires were recently cut from 15 to 20 per cent. Competition in this industry is still very severe, and under the circumstances we believe it will be some time before Goodrich will pay dividends on the common shares. General market conditions, however, are now favorable and it is probable that Goodrich common will sell somewhat higher. As you do not care to switch into anything else, we would suggest retaining the stock at this time. However, you should watch conditions very closely and be prepared to sell the stock out when the present upward move in securities appears to be reaching its culmination.

This publication will endeavor to inform its readers when the danger point has been reached.

Attractive Stocks Which Have Only Advanced Moderately

While the Market Has Recently Scored a Substantial Advance Many Issues Are Still Selling at Relatively Low Price Levels

I am now convinced that we are in a bull market, but, unfortunately did not purchase any stocks at the lower levels and am in a quandary as to what action I should take. I hesitate to purchase issues that have already had a big advance and are now selling around their highest prices. Can you suggest any stocks that have only enjoyed a moderate advance and which are entitled to join in the upward movement.—H. E. D., Springfield, Mass.

We consider there are still many good buying opportunities in the market. Several groups of stocks are still selling at relatively low levels and while it is true that these issues have advanced in price, they are still in the buying range. Due to large production, which has resulted in some price cutting, the oils as a group have lagged behind the market. Automobile shares are also far under the high prices reached in 1923 when conditions in that industry were more favorable. Shipping shares have been depressed for the past few years and as this industry is slowly improving are likely to become more popular and advance in price. The same can be said for the shares of the harvesting machinery manufacturers. The stocks of several tire manufacturing companies are still selling at low levels, but the situation in this industry is rather involved and most of the five issues are in a somewhat uncertain position. The textile industry has been passing through a very trying period but there are now many evidences that the corner has finally been turned. The following list of stocks seem to have good prospects for further enhancement in value:

Dividend Payers	*Dividend*	*Recent Price*
American Woolen	7	76
Phillips Petroleum	2	36
Associated Oil	1.50	29
Pacific Oil	2	48
General Motors	1.20	14
Advance Rumely, pfd.	3	40

Non-Dividend Payers	*Price*
Marine Preferred	36
Willys Overland Preferred	69
Maxwell Motor "A"	53
J. I Case Preferred	59
Houston Oil	70

The above stocks are all classed as speculative and you should only place as much money in them as you feel you can afford to risk. In purchasing stocks of a speculative nature, it is well to diversify your holdings, rather than concentrate on one or two, thus lessening the risk factor.

OMAR OIL & GAS

An Uncertain Speculation

In the early days of my "investment" career in 1920, I bought 500 shares of Omar Oil and Gas at $8¼. It is now selling at 60 cents. I have held it in hopes it would sell up to $3 or $4 a share, but it seems to be permanently headed the other way. What would you advise?—G. F. K., Philadelphia.

Omar Oil & Gas in March, 1923, disposed of its holdings in the Bair Oil Company, Wyoming, and as a result was able to liquidate its indebtedness. As of June 30th, 1923, cash and securities on hand was reported as $778,229. In its own drilling operations the company has met with indifferent results and earnings have not been satisfactory. However, in view of the improved financial condition and the fact that the 500,000 shares of stock are only selling in the market for $300,000, we do not advise you to accept the very heavy loss you have in this stock as there is at least a fair chance that ultimately you will be able to obtain a somewhat better price.

INTERBORO

Commissioner O'Ryan's Warning

I notice that the New York Transit Commissioner O'Ryan issued a warning against speculation in the stock of Interborough Rapid Transit. I don't regard myself as a speculator. I am a long-pull investor. I bought this stock—50 shares at 15, 25 shares at 20 and 25 more at 25. It has been my plan to carry this stock along, for a friend tells me he believes it will go to $100 a share inside of a year. I have read a great many statistics lately regarding the stock, but I can't quite understand how to weigh them.—R. A., St. Louis, Mo.

We feel that your friend has been somewhat over-optimistic in predicting a price of $100 a share for Interboro common inside of a year. In the first place, no dividend can be paid on this stock until 1926, and prior to 1950 the dividend is limited to 7%. For the year ended June 30th, 1924, Interboro did not succeed in fully recovering the Manhattan Rwy. rental, which under the terms of the modified lease provides for payment of 4% on Manhattan Rwy. stock. If, after 1926, Interboro should pay more than 4% on the common stock, any increase would have to be shared equally with Manhattan Rwy. stockholders up to 7%. While it is true that earnings of Interboro have shown steady improvement they have not yet reached a point where any consideration can be given to dividends on the common stock. Moreover, the financial condition of the company is weak. Of course, should the company be granted any increase in fare, this would alter the situation materially, but it is anyone's guess whether or not this will be done. In view of the uncertainties in the situation our suggestion is that you take your profits on 50 shares of stock. This would mark the price of the remaining 50 shares down to about $7 a share and you would be well protected against possibility of loss. After the stock had had a very sharp advance in price Transit Commissioner John F. O'Ryan pointed out that the conditions surrounding the company did not warrant the high prices reached. We believe there is considerable ground for Mr. O'Ryan's statement.

FEDERAL OIL COMPANY

Reorganization Plan

A few years ago I thought I would take a flyer in an oil stock, and unfortunately picked Federal Oil, which has apparently turned out to be a lemon. In your opinion is there any future for the company, or will it continue to simply drift along and finally disappear, as has been the case with so many others?—R. C. C., Harrisburg, Pa.

Federal Oil Company owns oil leases in Kentucky from which it derives a small production, and also has leases in Kansas and Texas. In recent years the company's production has not been sufficient to cover expenses and development work, and as a result a succession of deficits have been reported. As far as we are able to determine, the properties of the company do not appear to offer good prospects of yielding enough oil to place the company on a paying basis, although of course drilling for oil is an uncertain proposition, and there is always a possibility that unexpected success will be met with. Federal Oil also owns some property in Mexico, and early in 1922 an agreement was entered into with the Mexico-Sinclair Oil Corporation, a subsidiary of Sinclair Consolidated, whereby the Sinclair interests assume the payment of all bonds and other obligations, and cost of development work. If production is obtained, Federal Oil is to receive 22½% of the oil produced. Whether this property will prove to be of any value, only the future can determine. The present capitalization of the company is over a million shares of stock, which is to be scaled down under a reorganization plan which calls for the organization of a new company, stockholders to have the right to exchange 20 shares of common stock for one share of new common, and 20 shares of preferred stock for one share of new 8% preferred. Upon completion of this exchange there will be 51,250 shares of common issued and 223,300 preferred. The stock cannot be rated higher than a gamble, as the only hope for the company apparently lies in the possibility of discovering on its properties an important new source of production, and this appears to us to be a rather slim hope.

BETHLEHEM STEEL COMPANY

Long-Pull Possibilities

Bethlehem Steel has passed its dividend. The newspapers seem to think that the stock ought to go up. So far as I am concerned I am about ready to sell 100 shares that cost me 75½ and switch it to something else. I am not only out about $3,000, but now my income from this source is to be cut off and I am naturally somewhat worried. I thank you for whatever you may be able to tell me and such advice you may give me regarding selling or holding on.—L. K., Brooklyn, New York.

Bethlehem Steel has already spent many millions in improving the recently acquired Midvale, Cambria and Lackawanna properties and plans to spend several million more for this purpose. As a result of the improvement to be made in these plants, the cost of production will be considerably reduced and this will be reflected in earnings of the Bethlehem Steel Company later on. The dividend was omitted because it was not earned in the second quarter and also because the company desires to maintain a strong cash position. We feel optimistic in regard to the future of Bethlehem Steel and consider the stock to have good long-pull possibilities. However, it may be some time before dividends are resumed and, as you probably prefer to hold a stock that will give you an immediate return, we suggest a switch to White Motors paying $4 and selling around 56. White Motors is in very strong financial condition and, as for some time earnings have been largely in excess of present dividend rate, it is in a position to increase the dividend.

AMERICAN BANK NOTE

A Strong Company

How is the American Bank Note Company faring? I have always considered this stock a first-class investment but it is very difficult for me to obtain a quotation on it except by putting the broker to a great deal of trouble. Is there some way I can keep in touch with this stock? Where is the market for it?—F. A. R., Norfolk, Virginia.

American Bank Note common stock is listed on the New York Stock Exchange and is, as a rule, vey inactive, frequently not selling for days at a time. A recent quotation was 120 bid offered at 133. American Bank Note is a very strong company and earnings have been showing a steadily increasing tendency for a number of years. For the six months ended June 30, 1924, $7.33 a share was earned on the common stock. Balance sheet as of June 30th, 1924, shows cash and marketable securities on hand of 3.4 millions. Capitalization consists of 4.4 millions preferred stock and 4.9 millions common. We consider the stock an attractive long-pull holding as earnings should continue on a favorable basis. If you do not wish to bother your broker in regard to attain-

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IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Where Losses Come from in Banking

Can Bankers Avoid Excessive Losses?—Measures of Protection That Should Be Adopted—Important Statistics Casting Light on the Subject

EVER since 1920, careful bankers, all through the United States, have devoted more and more attention to the effort to "check up" on losses, and prevent them from being any heavier than they ought. In doing this, there has been an unusual amount of effort to analyze the sources of loss and to find out what causes may be assigned for shrinkage in bank assets, and how these may be avoided. Today, there is better analysis on this subject and more thorough assignment of risks than there ever has been before. Banking is a hazardous business, and there never will come a time when it is free of the danger of loss. If there were, the banking business would be a good deal more overcrowded than it is today. So, we must always expect to have to make allowance for a specified percentage of loss, and the main thing is to find out what is normal in this regard and then refrain from exceeding it if possible.

Can Bankers Avoid Excessive Losses?

This statement seems to suggest that bankers can avoid excessive losses, a point as to which there has always been a good deal of dispute, because of the belief that many business losses cannot be allowed for in advance, and that the banker has to "take his medicine" along with the customer. Of course, there is a certain amount of justice in this view. In times of reaction or convulsion, when shrinkage occurs in all values, it is undoubtedly true that the banker has to take excessive losses along with others, and it is naturally to be expected that, occasionally at least, these losses will fall so heavily on given bankers as to put them out of business. But as a rule, in a country of many independent banks like the United States, it is possible to avoid excessive losses by observing a comparatively few simple rules. The chief of these are enumerated in the accompanying table.

1. *No bank should allow its lines of credit to become concentrated, either in a small number of businesses or in a small number of lines of business. It should endeavor to spread out its lines of business as much as it reasonably can, and it should avoid placing any large lines (in proportion to its own resources) with customers, unless amply protected.*

2. *No bank should allow unsecured commercial paper to be carried in its portfolio, without having a direct continuous knowledge of the customer's business, evidenced by repeated statements turned in at short intervals.*

3. *No bank should be content with the customer's own statment, but should insist upon getting a substantial amount of collateral information, which should include both business and trade reference.*

4. *No bank should consent to "carry the business man," after definite indications of weakness have been shown. It should make plain to its customer that it expects prompt settlement of obligations, and that if this is not attained, it must protect its own stockholders by enforcing its claims. Even when this means loss, the bank should not assume more than average risk in the hope of eventually "working out." It should take its losses and cut short its risks.*

Regular Losses Unavoidable

Even when these rules, difficult as they are to adhere to, are strictly followed, they will not safeguard against regular and moderate losses. An executive officer of a large New York bank was recently expressing satisfaction at the circumstance that, during 1923, his bank had

Table I. Operating Costs and Profits for 1922 of

Gross Loans, Investments and Real Estate	GROUP I up to $499,999				GROUP II $500,000 to $999,999			
Average Loans, Investments and Real Estate	$310,000 (66 Banks)				$690,000 (109 Banks)			
Percentages of loans, Investments and real estate	*High* %	*Low* %	*Average* %	*Average* $	*High* %	*Low* %	*Average* %	*Average* $
Net Earnings	4.5	.8	2.1	6,510	4.5	0	2.2	15,180
Recoveries on charged-off Assets	1.3	0	0	0	5.5	0	0	0
Losses: Loans and Discounts	3.5	0	0	0	12.7	0	0	0
Securities	1.1	0	0	0	1.6	0	0	0
Total Losses	3.5	0	0	0	15.3	0	.2	1,380
Net Addition to Profits from Operations	4.1	–.5	1.8	5,580	4.5	–9.8	1.9	1,311

TABLE II

Abstract of reports of earnings, expenses, and dividends, of national banks for year ended June 30, 1923

(In Thousands of Dollars)

Cities, States and Territories	Net earnings during year	Recoveries on charged-off assets	Total net earnings and recoveries on charged-off assets	Losses charged off					Net addition to profits	Dividends	Ratios			
				On loans and discounts	On bonds, securities, etc.	Other losses	On foreign exchange	Total losses charged off			Dividends to capital	Dividends to capital and surplus	Net addition to profits to capital and surplus	Net addition to profits to capital
Total U. S.	312,826	51,100	363,926	120,438	21,890	16,046	2,064	160,438	203,488	179,176	13.48	7.47	8.48	15.31

had to charge off only $5,000 on commercial paper. "Then you have been very judicious in your charge-off policy" was the reply of his companion. It is, of course, true that occasionally a bank has a run of luck and avoids loss, but some risk is inherent in the business, and that means that it must be carried in the form of book losses. An interesting analysis made for the Controller of the Currency some time ago gives in Table II conditions during a representative year.

It will be seen from these figures that for the entire United States the dividends declared by banks were only moderately larger than the losses charged off; or in other words, net earnings after all ordinary expenses had to be approximately split in two, about 45 per cent going to charge offs and about 55 per cent to net profits. This seems like a terrible sacrifice of earnings, and yet comparisons from year to year show that it must be expected to run about in that way when business is in its present condition. Remembering that the capital and surplus of the banks involved in the above estimate was approximately $2,400,000,000, it appears that the sum charged off during the year in question was near 7 per cent of the total amount of capital ownership.

Distribution of Losses

In this particular the table, showing the distribution of losses as exhibited above, is especially interesting. It appears that of the general total of losses about three-fourths took the form of bad commercial paper, while approximately one-eighth was due to shrinkage in value of bonds and securities. Other losses, including theft and the like, came to approximately the remaining one-eighth, and included in this final eighth was about one and one half per cent on foreign exchange. It is evident that, although banks have proven to be rather unsuccessful bond buyers, and hence have always suffered more or less in their dealings in securities, their most serious shrinkages have been produced by unwise loans to customers. Experience is, therefore, being analyzed by a good many banks as closely as possible to find out where these losses are heaviest and what is the reason for them. A study made by the Federal reserve bank of Boston for the results of last year has lately been made public, and gives some interesting figures for banks of various sizes which reflect the varying amounts of loss, in accordance with the resources of the bank. These may be summarized briefly in Table III which appears on the next page.

It should moreover be understood that losses on commercial paper are by no means confined to country banks but that the city banks with their elaborate credit organizations are also obliged to "stand the gaff" to a very considerable extent although not in all cases as severely as the country bank which makes loans without getting real knowledge of the borrowers' position.

Developing Industries

Perhaps the most interesting thing that stands out of the recent studies on this subject is the fact that only comparatively few losses are incurred as a result of actually bad business judgment on the part of the banks with respect to the condition of a borrower at the time when a loan is made. The source of loss is found in the fact that loans are made in the expectation that business will keep on developing and being profitable on the same scale that has been found to hold good with comparatively limited operations in the past.

In some cases, the business man has not the organizing ability to handle a large business successfully, as he does a small one; in other cases he "gets into the game" a little too late, and at a time when the cream has been skimmed off and the industry is approaching maximum development, so that there is nothing in it even for the best of ability. In such circumstances, the bank is likely to have to take a heavy loss as a result of the fact that it is obliged to stand the deterioration of inventories and shrinkage of values due to the making of sales under forced conditions.

Particularly Serious When Capital Is Borrowed

All these factors tend to be particularly serious in the case of a business which has been developed with borrowed capital, and they constitute the most serious origin of bank charge-offs. They can be avoided only through the exercise of extra care and judgment in determining the purposes for which loans are sought. Where they are sought for the definite object of enlarging the scope of the business, and so making more money, the bank is being practically asked to go into business with the customer. The credit risk is then altogether too high, and wisdom dictates that, no matter how promising the enterprise may be, the banks should resolutely refuse them, or if circumstances are such that they must go in to some extent under penalty of

All Member Banks in Federal Reserve District No. 1

GROUP III $1,000,000 to $1,999,999 $1,375,000 (102 Banks)				GROUP IV $2,000,000 to $9,999,999 $3,800,000 (114 Banks)				GROUP V $10,000,000 to $100,000,000 $13,000,000 (28 Banks)				TOTAL DISTRICT 1 (419 Banks)		
High	*Low*	*Average*		*High*	*Low*	*Average*		*High*	*Low*	*Average*		*High*	*Low*	*Av.*
%	%	%	$	%	%	%	$	%	%	%	$	%	%	%
3.7	.2	1.8	24,750	3.7	.4	1.5	57,000	2.5	.9	1.5	195,000	4.5	0	1.8
5.0	0	.1	1,375	3.2	0	.1	3,800	1.5	0	.1	13,000	5.5	0	0
7.9	0	.2	2,750	4.5	0	.2	7,600	2.5	0	.6	78,000	12.7	0	.1
2.1	0	0	0	.9	0	0	0	1.0	0	0	0	2.1	0	0
7.9	0	.5	6,875	4.6	0	.5	19,000	2.5	0	.7	91,000	15.3	0	.3
3.8	–.7	1.5	20,625	4.3	–3.0	1.3	49,400	2.6	–.4	.9	117,000	4.5	–9.8	1.5

losing profitable business or offending customers who are regarded as really valuable, it should insist upon dividing the risk by taking only a part of the paper offered, the rest being carried by other banks. If no other banks were willing to share in the risk in this way, the indication is strong, that the undertaking is not one that can be sanctioned by good business judgment or prudence.

It is only by following out such prudent practices that the banker can hope to avoid a large measure of loss. It has been pointed out that to a certain degree losses in banking are indeed inevitable. It is consequently a sensible measure to assume no risks above those which are inherent in the fundamental nature of the business itself. On the whole, any practice which will protect the bank in fulfilling its functions is one that is to be commended even where it may tend to alienate the individual borrower who happens at any particular time to be unable to conform with the bank's requirements.

In any case, the banker must learn to avoid losses wherever this can be done.

TABLE III

Comparative Operating Costs and Profits

40 NEW ENGLAND COUNTRY BANKS HAVING LOANS AND INVESTMENTS BETWEEN $3,000,000 AND $5,000,000 IN 1922

Average Loans and Investments	1921 $3,611,000				1922 $3,838,000			
Percentages of Loans and Investmts:	*High* %	*Low* %	*Com.* %	*Figure* $	*High* %	*Low* %	*Com.* %	*Figure* $
Net Earnings	3.8	-1.2	1.6	57,776	3.5	.3	1.5	57,570
Recoveries on charged-off Assets	1.5	0	0	0	3.2	0	0	0
Losses charged off:								
On Loans and Discounts	3.0	0	.1	3,611	4.6	0	.1	3,838
On Bonds, Stocks and Mortgages	2.3	0	.3	10,833	1.0	0	0	0
Total	3.0	0	.7	25,277	4.6	0	.1	3,838
Net Additions or Deductions	.3	-2.7	-.7	-25,277	3.2	-4.4	-.1	-3,838
Net Income available for Dividends	3.2	-2.3	1.1	39,721	4.3	-3.2	1.4	53,732
Dividends paid	1.9	.3	.9	32,499	1.9	.3	.8	30,704
Surplus or Deficit for Year	1.7	-3.3	.3	10,833	3.5	-3.7	.6	23,028

Will Politics Shake the Banking World in 1924?

What Are the Uncertainties in the Situation?

WITH the national conventions both over, the question how far the banking system of the country is really involved in the political situation and what it has to fear from unwise attacks or proposed policies becomes important. A few months ago, there seemed to be substantial reason for fearing that the banking question would again be dragged forward as a basis of controversy, but due to a variety of reasons, the danger which was thus suggested has not materialized, or at all events has taken a new form. Nevertheless, there is always more or less ground for anxiety on the part of the financial community, and the prejudices which have been aroused in all quarters as a result of the conventions and resultant platforms, therefore need careful consideration.

Reassurance Furnished by Officials

It is a notable fact that in even the "key-note" speeches uttered by Mr. Burton at Cleveland and Senator Harrison at New York, promise was given that the Federal Reserve System is not to be disturbed. Mr. Harrison said that not one of its supports is to be withdrawn, and that the System is to be absolutely "let alone." Mr. Burton referred to it in commendatory language, and promised freedom from political influence in language which appeared to be uttered directly in behalf of the present administration. As for banking in general, both speakers give assurance that it as well as business at large are to be regarded in a friendly way, and without attempts at "reform," except where directly illegal acts are contemplated or undertaken. The platforms are, as usual, conveniently vague, but both evidently promise soundness and conservatism in the Government's relationship to the Federal Reserve System. As to the rank and file of the commercial banks, it is reassuring that nothing is put forward that would apparently militate against their legitimate interests. Both platforms are, for obvious reasons, silent on branch banking, national bank circulation, the actual amendment of the Federal Reserve Act, the pending McFadden Bill and most other topics of direct or immediate current interest. Apparently it is not intended by either to allow the banking question as such to get a foothold in the campaign.

Question of Farm Relief

Less reassuring, but still in tolerably good position are the planks of the two platforms which have to do with farm relief. The Republican platform, aside from lengthy and vague generalities, merely promises whatever is necessary in the way of credit accommodation, while the Democratic is vaguely comforting so far as banking goes, but has very little of a specific sort to recommend, outside of the promise of necessary legislation designed to protect the farmer in ways that are not altogether clear. It is undoubtedly true that elements in both parties, even although the platforms mask their point of view behind generalities, are disposed to undertake some extreme legislation of the type that was offered in Congress at the last session; but the fact that they have not seen fit to offer a pledge of it in the platforms shows that they do not intend to allow the so-called progressive or radical element to rule with a high hand but are disposed to adhere to conservatism in policies.

Such measures as the Norris Bill, the McNary-Haugen measure, and others, are still pending before Congress, and there is no reason why they should not come up and be pressed forward at the short session, as undoubtedly they will by the progressives. But the fact that no specific pledge is given in the Republican platform for any such measure sufficiently indicates the point of view of those who are in control of that political organization, while the Democratic is unexpectedly and gratifyingly conservative and moderate on the whole issue.

Factors of Encouragement

One important factor of encouragement which is in no small degree responsible for the more moderate outlook referred to is the circumstance that the agricultural credit banks have turned out to be so disappointing in their results. The stronger farm interests have found that they got much more help from cooperative marketing and financing, with the aid of the

(Please turn to page 662)

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1923		1924		Last Sale	Div'd $ Per
RAILS:	High	Low	High	Low	High	Low	High	Low	Aug. 6	Share
Atchison	125⅜	90¼	111¼	75	108½	91¼	106⅝	97⅛	104⅛	6
Do. Pfd.	106¼	96	102⅜	75	95½	72	93½	86½	92¼	5
Atlantic Coast Line	148½	102½	126	79⅞	127	77	135	112	134½	8
Baltimore & Ohio	122¼	90⅜	96	88¼	60¾	27⅝	64¾	52⅛	62½	5
Do. Pfd.	96	77⅛	80	48¼	66¼	38½	61¼	56¼	60½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	150⅞	142¾	148¾	10
Chesapeake & Ohio	92	51⅛	71	35⅜	79	46	92¼	67¾	90¼	4
Ches. & Ohio Pfd.	..	..	..	..	105⅜	96	109⅛	99½	†107⅜	6½
C. M. & St. Paul	165⅝	96¾	107⅜	35	52¾	11¼	18⅛	11¾	15½	..
Do. Pfd.	181	130⅛	143	62½	76	20⅝	30¼	21¼	25⅛	..
Chicago & Northwestern	198⅛	123	136⅞	85	105	45⅞	63¼	49¼	62	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅛	36¾	21½	33⅛	..
Do. 7% Pfd.	..	..	94¾	44	105	64	91	76¾	...	7
Do. 6% Pfd.	..	..	80	35¾	93¼	54	79⅛	65⅝	76	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124⅝	104½	124½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	134	110¾	132½	6
Erie	61¼	33½	59½	18¾	22¾	7	35⅜	20¾	32⅞	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	42⅞	28⅝	41⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	27⅝	7⅛	41	25⅛	†39	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	69⅜	53¾	64¾	5
Illinois Central	162⅛	102¾	115	85¾	117½	80⅞	112¼	100¼	110⅜	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24¼	17¾	21⅛	..
Do. Pfd.	75½	56	65½	40	59½	40	55½	51¼	54¼	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	72⅛	39½	50	3½
Louisville & Nashville	170	121	141⅞	103	155	84¼	99¾	87⅝	97⅜	6
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	15⅞	10½	15	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45⅜	29¾	43⅝	..
Mo. Pacific	*77½	*21⅛	38½	19⅞	38⅞	8¼	20½	9¾	18	..
Do. Pfd.	..	..	64⅞	37½	63¾	22¼	51⅜	39	48	..
N. Y. Central	147¼	90⅜	114¼	62½	107¼	64⅛	108⅞	99⅛	106¾	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¼	109⅜	72½	107½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	9⅝	30⅛	14⅛	27½	..
N. Y., Ont. & W.	55⅜	25⅛	35	17	30½	14¼	22½	16	21¼	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	132½	102½	123⅞	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	67¾	47⅞	64	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	46¾	42¼	45	3
Pere Marquette	*36½	*15	38⅛	9½	47¼	12⅛	64¾	40½	61⅝	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	63½	38	62⅞	..
Reading	89⅝	59	115½	60⅛	108	60¾	79	51⅞	60¼	4
Do. 1st Pfd.	46¼	41¼	46	34	61	32⅞	56½	34¼	†35¾	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56	33⅛	†36	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¼	26⅝	19⅛	24⅞	..
St. Louis Southwestern	40⅜	18⅛	32⅛	11	40	10⅞	45⅝	33	42	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	96¼	85½	94½	6
Southern Ry.	34	18	36¼	12½	38⅝	24¼	67	38½	63¾	5
Do. Pfd.	86⅞	43	85½	42	72½	42	75½	66¾	75½	5
Texas Pacific	40½	10¼	29½	6½	70½	14	34½	19	32½	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	143⅞	126⅝	141⅝	10
Do. Pfd.	118½	79¾	86	69	80	61¼	75⅞	70	75¾	4
Wabash	*27⅞	*2	17½	7	14⅜	6	17⅜	10¾	15¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	47¼	34	42½	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	29⅞	22½	†29	..
Western Maryland	*56	*40	23	9¼	17¼	8	18¾	8⅜	13¼	..
Western Pacific	..	..	25½	11	40	12	24⅜	14¾	21¼	..
Do. Pfd.	..	..	64	35	78	51⅛	73⅞	58	70½	6
Wheeling & Lake Erie	*12⅜	*2⅛	27⅜	8	18¼	6	15¼	7⅛	14½	..
INDUSTRIALS:										
Adams Express	270	90	154⅛	42	84	22	89½	73½	†86	6
Allied Chem.	..	..	..	..	91¼	34	79	65	76⅝	4
Do. Pfd.	..	..	..	..	115½	83	118¼	110	115⅞	7
Allis-Chalmers	10	7⅛	49⅛	6	59¾	26½	58¼	41⅝	55	4
Do. Pfd.	43	40	92	32½	104	67½	98	90	†96½	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¾	10⅛	17⅛	7⅛	13⅞	..
Do. Pfd.	105	90	103½	89⅛	103	28¼	49⅝	18¾	38½	..
Am. Beet Sugar	77	19¾	108½	19	103¼	24½	49½	36	41	4
Am Bosch Mag.	..	..	..	..	143⅞	22⅞	38⅞	22¼	†27	..
Am. Can	47⅜	6⅞	68½	19¼	107⅝	21¼	128¼	95⅞	125	6
Do. Pfd.	129¼	98	114½	80	115	72	116½	109	116	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	178	153½	170	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¼	125	118¾	†123	7
Am. Express	300	94¾	140½	77½	175	70	122½	88	120¾	6
Am. Hide & Leather	10	3	22⅛	2⅛	43¼	5	13⅝	7¼	10¾	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	65	50½	61¼	..
Am. Ice	..	..	49	8⅞	122	37	96	86	91	7
Am. International	..	..	62¼	12	132¼	16	26⅜	17⅜	25⅜	..
Am. Linseed	20	6⅞	47¾	20	95	13	22⅜	13¾	20¼	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	81⅜	70⅛	79¼	6
Do. Pfd.	122	75	109	93	122¼	96½	120⅛	116¼	†120	7
Am Safety Razor	..	..	..	..	22	3½	7½	5⅞	6¾	50c
Am. Ship & Com.	..	..	..	..	47½	4⅜	15⅜	10⅜	11½	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50¼	89¾	29¼	70⅝	57½	69⅞	5
Do. Pfd.	116¼	98¼	118⅛	97	109⅝	63¼	103⅞	96	103⅞	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅛	33½	35½	3
Do. Pfd.	..	..	..	..	107	78	105	101¼	†104¼	7
Am. Sugar	136⅜	99⅞	126⅛	89⅛	148⅜	47⅝	61¾	38⅝	44¼	..
Do. Pfd.	133½	110	123½	100	119	67½	99⅞	79	89¾	7
Am. Sumatra Tob.	..	..	145¾	15	120⅛	16	28½	6⅜	8½	..
Do. Pfd.	..	..	103	75	105	32½	69	27½	†30½	..
Am. Tel. & Tel.	153⅜	101	134⅛	90⅜	128¾	92⅛	130⅞	121⅛	125¾	9
Am. Tobacco	*530	200	256	123	314½	104⅛	157	136⅝	153	12
Do. B.	..	..	..	..	210	100⅛	106½	101	†104	6
Am. Woolen	46⅝	15	60⅞	12	169½	55½	78⅞	62	74⅜	7
Do. Pfd.	107¾	74	102	72⅛	111⅞	88½	102⅝	96¼	†101½	7
Anaconda	54⅜	27⅛	105⅜	24¼	77⅞	30	41	28½	36½	..
Associated Dry Goods	..	..	28	10	89	48	117½	79	114	5
Do. 1st Pfd.	..	..	75	50⅛	89	49⅞	90½	83½	88¾	6
Do. 2nd Pfd.	..	..	49½	35	93½	88	99	89	†99	7
At. Gulf & W. I.	13	8	147¾	4½	192⅜	9¼	21⅝	10¾	15⅜	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	27⅜	12¼	†19¾	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62⅛	131	104⅜	120¼	7
Do. Pfd.	107½	100¼	114	90	118	92	116	111	†114	7
Bethlehem Steel B	*51⅜	*18¾	155⅛	59¾	112	41⅛	62¼	41½	44	..
Do. 7% Pfd.	89	47	186	68	108	87	97	89½	91¾	7
Do. 8% Pfd.	..	..	110¼	92½	116⅜	90	110¼	102	106	8

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1924 High	Low	Last Sale Aug. 6	Div'd $ Per Share
Burns Bros. A	45	41	161½	50	147	76	112½	97½	†107	10
Do. B	..	..	..	..	53	21½	27	19⅝	†24½	2
Calif. Packing	..	..	50	30	87½	48¼	87½	80	†86	6
Calif. Petro.	72½	16	42⅛	8	71⅞	15¾	29¼	19½	22¾	1¾
Calif. Petro. Pfd	95½	45	81	29⅛	110½	63	107	92½	†95½	7
Central Leather	51¼	16½	123	25⅞	116½	9⅛	17⅞	9⅞	14	..
Do. Pfd	111	80	117½	94⅞	114	28⅛	50	29¼	48⅞	..
Cerro de Pasco	..	..	55	25	67½	23	49¼	40¾	40½	4
Chandler Mot	..	..	109⅞	56	141¼	38⅛	66½	42⅛	48½	6
Chile Copper	..	..	39⅛	11¼	30⅛	7¼	32¼	25⅝	31¼	2½
Chino Copper	50¾	6	74	31⅜	50⅞	14¾	22¼	15	21¼	..
Coca Cola	..	..	..	..	83⅜	18	77½	61	74⅜	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	30¼	42⅝	33	40¼	2.60
Consol. Cigar	..	..	..	..	80	13½	22⅛	11⅜	†18	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	56¼	72⅛	60⅞	71⅞	5
Corn Prod	26½	7⅜	50½	7	160½	46	37⅞	31½	32¼	2
Do. Pfd	98½	61	113½	58⅛	122¼	96	123	115½	123	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	71¼	48	54¼	4
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅛	5⅛	18	11¼	13⅜	..
Cuban-Amer. Sugar	*58	*33	*273	*38	*605	10⅞	38⅞	28½	30¼	3
Endicott-Johnson	..	..	..	..	150	44	67½	55⅞	61½	5
Do. Pfd	..	..	..	..	119	84	115	105½	†108	7
Famous Players	..	..	..	..	123	40	87½	61	85	8
Do. Pfd	..	..	..	..	107⅛	66	97½	87⅞	†94	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	13⅞	8	9⅜	..
Gen'l Asphalt	42⅞	15½	39⅛	14¼	160	28	46¾	31⅛	41¾	..
Gen'l Electric	188½	129¾	187¼	118	202¼	109½	281	193½	270⅜	‡8
Gen'l Motors	*51¼	*25	*850	*74½	42	8⅛	16¼	12¾	15	1.20
Do. 6% Pfd	..	..	99½	72¾	95	68	87	80	†86	6
Do. 6% Deb	..	..	..	..	94¾	60	86⅞	80⅛	86¼	6
Do. 7% Deb	..	..	..	..	105	68	97½	95⅛	97½	7
Goodrich	86½	15½	80¼	19⅝	93⅜	17⅜	26¾	17	23	..
Do. Pfd	109¼	73⅛	116⅛	79⅞	109½	62½	80	70¼	†78⅛	7
Gt. Nor. Ore	88½	25½	50⅛	22½	52¼	24⅞	31½	26	30¼	3
Houston Oil	25½	8¼	80	10	116½	40½	82½	61	70¼	..
Hudson Motors	..	..	..	..	32¼	19½	29⅜	20½	27⅜	3
Hupp Motors	..	..	11⅜	2½	29½	4⅝	18	11⅛	13⅜	1
Inspiration	21⅛	13⅞	74¼	14¼	68⅞	23¼	27⅜	22⅛	†26½	..
Inter. Mer. Marine	9	2⅛	50⅛	⅝	67¾	4⅞	10⅞	6¾	10¼	..
Do. Pfd	27⅛	12½	125⅝	8	128½	18½	39⅝	26½	38⅛	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅛	19⅜	11½	18½	..
Inter. Paper	19¼	6½	75½	9½	91¼	27⅞	59	34½	53½	..
Invincible Oil	..	..	..	..	47⅛	5½	16⅞	10½	12½	..
Kelly Springfield	..	..	85¼	36⅞	164	20½	35	9¼	14⅝	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	88	33	†40	8
Kennecott	..	..	64⅛	25	45	14⅛	47⅛	34⅛	46⅛	3
Lima Locomotive	..	..	..	..	74⅞	52	68¾	56	62	4
Loews, Inc	..	..	..	..	38⅛	10	18	15⅛	16⅜	2
Loft, Inc	..	..	..	..	28	6	8¼	5½	6¼	..
Miami Copper	30¼	12¾	49⅜	16⅛	32¾	14½	24⅛	20	23¾	2
Nat'l Lead	91	42½	74⅝	44	148	63½	155⅜	123½	153	8
N. Y. Air Brake	98	45	136	55⅞	145¾	26⅝	45	36⅛	41⅝	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	37⅛	19	30	..
North American	*87⅞	*60	*81	*38⅞	100¾	17½	27¼	22	26⅞	2
Do. Pfd	..	..	..	..	48½	31⅞	50¼	43⅞	49¾	3
Pacific Oil	..	..	..	..	60⅜	27½	58¼	45	48⅜	3
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	61¼	44¼	56	4
Do. B	..	..	..	..	111⅛	34⅛	59½	41¼	55	4
Philadelphia Co.	59¼	37	48⅞	21½	50¼	26½	53½	42⅞	50⅛	4
Phillips Pet	..	..	..	..	69⅝	16	42½	31⅛	35⅝	2
Pierce Arrow	..	..	65	25	99	6¼	12⅛	6⅛	10¾	..
Do. Pfd	..	..	109	88	111	13½	35⅞	18⅛	33⅛	..
Pittsburgh Coal	*29⅜	*10	58¼	37½	74⅛	45	63¾	56	†58½	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	42½	62	39	41	..
Do. Pfd	112	88½	109½	69	106	80	90	68	69½	..
Punta Aleg. Sug	..	..	51	29	120	24¾	67⅝	47¾	50⅞	5
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	26⅜	20	23½	1½
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	122	106	118½	8
Do. Pfd	113¾	90¼	105½	75	121½	92½	118	113	†115	7
Ray Cons. Cop	27½	7½	37	18	27½	9⅜	13½	9	12⅝	..
Replogle Steel	..	..	..	..	98½	8	15⅝	7¼	12½	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	61⅞	42	47⅛	..
Do. Pfd	111¼	64½	112⅝	72	106¾	74	95	82	†86⅞	7
Royal Dutch N. Y.	..	..	86	56	123⅛	40½	59½	41½	42⅞	4.42½
Shell T. & T.	..	..	..	..	90¼	29⅛	41½	33	†35¼	2.06
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16	27⅛	15	17⅝	..
Stand. Oil N. J.	*448	*322	*800	*355	*212	30⅞	42¼	33	36¼	1
Do. Pfd	..	..	..	..	118¼	100½	119	115¾	119	7
Stromberg Carb	..	..	45¼	21	118¼	22½	84⅞	54½	62⅜	3
Studebaker	49½	15¾	195	20	151	37¾	39	30½	38⅛	4
Do. Pfd	98⅛	64½	119⅛	70	118¼	76	115	110	†111½	7
Tenn. Cop. & Chem	..	..	21	11	17⅛	6¼	9¾	6¾	8⅝	..
Texas Co	144	74½	243	112	57¾	29	45⅜	37¾	40⅞	3
Tex. Pac. C. & O	..	..	..	..	195	5½	15¼	8¼	9¾	..
Tobacco Prod	145	100	82⅜	25	115	45	70¼	53	63⅞	6
Transcontl. Oil	..	..	..	..	62⅜	1⅛	6¼	3¾	5⅛	..
United Fruit	208½	120½	173	105	224⅞	95¾	224½	182	220	10
U. S. Ind. Alco	57¼	24	171½	15	167	35⅛	83⅝	61⅛	73½	..
U. S. Rubber	59½	27	80½	44	143¾	30⅛	42⅞	22½	30½	..
Do. Pfd	123½	98	115¼	91	119½	74	94¾	66½	84½	8
U. S. Smelt. & R.	59	50⅜	81½	20	78⅛	18⅜	31¾	18½	29¼	..
U. S. Steel	94⅞	41¼	136⅛	38	115½	70¼	110	94¼	108⅜	‡5
Do. Pfd	131	102½	123	102	123½	104	123	118⅜	121½	7
Utah Copper	67½	88	130	48½	97½	41⅛	81⅜	64	80	4
Vanadium	..	..	..	..	97	24¾	33½	19⅛	24¼	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	6⅛	10⅜	⅜	1⅞	..
Do. Pfd	129½	62	115⅜	80	115⅞	17	34½	2½	5½	..
Western Union	86¼	56	105½	53⅜	121¼	76	113¾	105	112½	7
Westinghouse Mfg	45	24¾	74⅞	32	67⅛	38⅞	65	55⅛	64⅜	4
White Motors	..	..	60	30	66	29¼	59⅜	50½	58½	4
Willys Overland	*75	*50	*325	15	40¼	4⅛	14¼	6⅞	8⅜	..
Wilson Co.	..	..	84¾	42	104⅞	19	28	4⅛	8	..
Woolworth	177⅞	76⅛	151	81⅛	200	100	120½	72½	111¼	3

* Old Stock. † Bid price given where no sales made. ‡ Not including extras.

ANSWERS TO INQUIRIES

(Continued from page 633)

ing quotations for the stock, you could subscribe to some New York daily newspaper such as the New York *Times* or the *Evening Sun.* These papers publish in full the bid and asked quotations.

CORN PRODUCTS
Earnings Well Maintained

I notice a big drop in Corn Products net earnings for the first six months of this year. I have also noticed the way the price of corn has been jumping, but I am unable to figure out just how this is likely to effect the earnings and, of course, the market price of Corn Products stock. I am a holder of 75 shares and naturally am much concerned. Of course, it is the new stock to which I refer.—L. M. D., Austin, Texas.

There has not been a big drop in Corn Products earnings. For the six months ended June 30, net income after interest and depreciation was 5.4 millions as compared with 6.1 million for the same period of 1923. This is a relatively small decline and of no particular significance, particularly as comparison is with a very favorable period in 1923. In the past, Corn Products earnings have not been adversely affected to any important degree by an advance in the price of corn and we do not feel that this development is particularly unfavorable for the company. We regard the stock as having good long-pull possibilities.

HUPP MOTORS
Switch to General Motors Advised

What do you think of Hupp Motors? Would you advise me to hold on to twenty-five shares of this stock? I am not looking for unusual profit. I noticed the earnings in the second quarter showed a decline. Please tell me what you think of the prospects of Hupp Motor for the rest of this year and what I may expect in the way of dividends.—J. C. L., Chicago, Illinois.

Hupp Motors for the six months ended June 30th only earned 73 cents a share on the stock. As a rule, the first half of the year is much more profitable in the automobile industry than the last half, but automobile companies this year experienced a smaller demand for their cars in the Spring than was anticipated and, as prices were based on a large production, the margin of profit per car was reduced. The outlook in the industry now appears improved and we believe the automobile companies as a whole will do fairly well in the last six months. While Hupp stock has possibilities we consider General Motors, paying $1.20 a share, a better holding and advise the switch.

NEW HAVEN
Remarkable Improvements in Earnings

I have two hundred shares of New Haven Common which I have held for several years and which today is selling for just about what I paid for it. Do you think the improvement of New Haven will continue and that I would do well to hold it? Do you think it would be advisable for me to switch it to something like Erie or Texas & Pacific? —R. D. K., Lowell, Massachusetts.

Earnings of New Haven have shown a

remarkable improvement this year and it appears now that for the first time in several years the road will succeed in covering its fixed charges. The large deficits piled up in the past several years however, have weakened the financial condition of the road to such an extent that dividends on the stock are a remote possibility. Of course, in view of the present movement to consolidate the roads in the country into larger systems, it is possible New Haven will be taken over by some other road and this may result in a better price for the stock. At present levels, however, we regard the stock as highly speculative and consider Erie common or Seaboard Air Line preferred a better holding.

WALDORF SYSTEM
Operates Self-Service Restaurants

What can you tell me about the Waldorf System? I seldom see anything in newspapers regarding it; in fact all that I ever hear is what I read in the annual report. What is your opinion of it as an investment? I have fifty shares and my broker suggested that I buy fifty more at current price which would give me a round lot.—G. V. K., South Bend, Indiana.

Waldorf System operates 100 self-service restaurants located mainly in New England but extending as far west as Cleveland. While there has been no important increase in earnings, still the improvement has been steady and the business of the company is little affected by general business depression. For the six months ended June 30th, $1.20 a share was earned on the 441,810 shares of no par value common stock. We consider the stock to have good long-pull possibilities, for as new restaurants are opened earnings should gradually increase. However, it is not good policy to concentrate on any single issue and instead of purchasing any more of this stock we suggest instead United Drug paying 6% and selling around 81. United Drug through its subsidiaries operates about 250 retail drug stores and also has 10,000 agents selling Rexall products throughout the country. Earnings are at the annual rate of between 8½ and 9 dollars a share. We consider the present dividend rate well protected with possibilities of an increase later on.

UNITED DRUG
Satisfactory Earnings

Please give me your opinion of United Drug.—C. T. New Haven, Conn.

For the six months ended June 30th, 1924, United Drug Company made a very encouraging showing, earnings having been equivalent to $4.12 a share on the common stock, compared with $3.62 a share in the same period of 1923. The greater percentage of the year's profits are made in the last six months of the year and it is probable that for the full 1924 year, United Drug will earn about $9 a share. The company has now fully recovered from the losses sustained in the deflation period of 1921, the only year since incorporation in 1916 in which substantial earnings were not shown on the common stock. Results for the first six months are all the more gratifying in view of the fact that during this period there

was considerable price-cutting in various drugs. The 6% dividend on the common stock seems well protected with good prospects for higher dividends in years to come. The stock is a good long-pull holding.

NATIONAL ACME
Six Months' Deficit

What is the outlook for the business of the National Acme Company? I would be glad to have your advice regarding one hundred shares. I am willing to hold for a considerable period as I am one of the patient type and prefer to hold on rather than take a loss. I do not believe in switching from one stock to another in order to obtain a possible profit that would merely offset a loss in my holdings.—E. W. P., Lorraine, Ohio.

Of course, if you are holding a stock

(*Please turn to page* 660)

CURRENT BOND OFFERINGS

FOR the week ending July 26, new bond offerings totaled 34.9 million dollars of which railroad issues represented more than one-third of the total. During the week ended August 2, offerings totaled 87.1 millions, with state and municipal issues falling to the lowest total so far this year. The most prominent issues offered were the equipment trust certificates and guaranteed notes of the Canadian National Railways Company. Two other issues were also for large amounts, these being the 12 millions of Lehigh Valley R. R. Consolidated mortgage bonds and 20 millions of 6 per cent gold bonds of the Public Service Corporation of New Jersey.

The demand for current offerings is exceptionally good, books having been closed in most cases very shortly after public announcement of opening. The Public Service bonds were bid for rather briskly, due to the fact that offering was made on a 6.35 basis which is unusually high in comparison with the yield to be secured from other issues of similar grade. Compared with an offering price of 96, the bonds are now quoted around 97. The fact that a great number of issues are still being placed privately illustrates the extremely favorable conditions that exist in the long-term money market.

NEW BOND OFERINGS
STATE AND MUNICIPAL

	Amount	Yield off'd (%)
St. Paul, Minn....	$2,133,000	3.75-4.10
Kansas City, Mo...	2,000,000	4.17
Pasadena, Calif.....	900,000	4.20-4.40
FOREIGN		
Prov. of Brit'h Col.	2,000,000	5.00
Prov. of Nova Scotia	1,500,000	4.85
Prov. of Nova Scotia	2,000,000	4.20
Can. National Rys.	20,000,000	4.40
Can. National Rys.	9,375,000	4-4.75
RAILROADS		
Northern Cen. Ry.	8,300,000	4.92
Peor. & Pek. U. Ry.	3,200,000	5.50
Lehigh Valley R.R.	12,000,000	5.05
PUBLIC UTILITY		
P. S. of N. J.....	20,000,000	6.35
Wisconsin P. & L..	2,250,000	6.30
Duke-Price P. Ltd.	12,000,000	6.08
INDUSTRIAL		
M. A. Hanna Co...	7,000,000	6.20
Borden Mills, Inc..	2,000,000	6.25

THE INSTALMENT PLAN—BLESSING OR CURSE?

(*Continued from page* 595)

savings growing, life insurance expanding, investment sums gaining, indicates to me that people as a whole are not exceeding their true-buying capacity because they buy many things on deferred payments.

"As a general practice, all credit buying of consumable goods for personal use is to be discouraged. It takes risks for the sake of goods that have no offsetting prospect of production. It isn't the prudent course. On the other hand, the application of credit, through the instalment device, to productive activities where it was not formerly available, is often a most helpful thing. It enables good managers to get possession of the machinery of production. They make production pay for the credit. The instalment method may even be a help to a poor manager, in that it is apt to result in liquidation of a debt that might not be managed otherwise. Deserving men often get access to credit through the instalment plan, who might not be able to get it in a lump.

"By and large, instalment credit is justifiable if credit is justifiable. But as it makes easy selling and easy buying, it tends to the abuse of credit. Like other good things, it must be used in moderation and with discretion if it is to remain good."

When we come to consider the application of instalment or partial payments to the purchase of securities, we get an entirely different picture, for this is not spending, it is merely an admirable form of saving. Many a mickle makes a muckle, and frequently it is better to put the mickles into a good security than into a savings account, if it is possible. Some of the leading investment firms have adopted the partial payment system, and in so doing have performed a distinct public service. This plan allows the investor to invest as he saves, and is an incentive to saving, because it involves a definite method of approaching a worthy goal, viz., the ownership of a stock or a bond or a mortgage the denomination of which may be far in excess of the small investor's cash surplus. It has been adopted not only by reputable investment houses, but by real estate mortgage concerns and especially building and loan societies. It has made it possible for the small investor to avail himself of investment opportunities that were formerly reserved for the well-to-do only, and will increasingly make for the ownership of industry and the control of finance by the masses of the people. It is undoubtedly a great economic adjuster and social stabilizer. Millions of "little fellows" who first encountered bonds through their partial payment Liberty Bonds during the war are now buyers of other securities by the same satisfactory method.

By and large, the verdict of the jury is that instalment merchandising is a good thing in principle, easily susceptible of abuse, and exceedingly abused in practice.

UNLISTED UTILITY BOND INDEX

(IN ORDER OF PREFERENCE)

POWER COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	104	105	6.70
Indiana Power Co. 7½s, 1941	B..	103	104	7.05
Tennessee Power Co. 1st 5s, 1962	A..	89	91	5.40
Appalachian Power Co. 1st 5s, 1941	A..	94¼	95¼	5.35
Alabama Power Co. 1st 5s, 1946	A..	95	96½	5.25
New Jersey Power & Light 1st 5s, 1936	B..	91½	93	5.80
Parr Shoals Power Co. 1st 5s, 1952	B..	89	91	5.60
Nebraska Power Corp. 1st 5s, 1949	A..	95	96½	5.30
Hydraulic Power 1st & Imp. 5s, 1951	A..	99	100	5.00
Penn.-Ohio Power & Light 8% Notes, 1930	B..	107	109	6.40
Union Elec. Light & Power Co. 1st 5s, 1933	A..	97	98	5.25
Idaho Power Co. 5s, 1947	A..	92½	93½	5.60
Texas Power & Light Co. 1st 5s, 1937	B..	94	95½	5.50
Ft. Worth Power & Light 5s, 1931	A..	98	99	5.20
Central Ga. Power Co. 1st 5s, 1938	B..	91	93	5.80
Electrical Development of Ontario 5s, 1933	A..	96	97½	5.35
Adirondack Electric Power 1st 5s, 1962	A..	98	99	5.05
Carolina Power & Light 1st 5s, 1938	A..	98	99¼	5.10
Madison River Power Co. 1st 5s, 1935	A..	98	99	5.05
Shawinigan Water & Power 1st 5s, 1934	A..	100	101	4.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	105	106	5.40
Consumers Power Co. (Mich.) 1st 5s, 1936	A..	98¼	99	5.05
Salmon River Power 1st 5s, 1952	A..	98	99	5.20
Great Western Power Co. 5s, 1946	A..	94½	95¼	5.30
Mississippi River Power 1st 5s, 1951	A..	96	97	5.25

GAS AND ELECTRIC COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Burlington Gas & Light 1st 5s, 1955	B..	83	85	5.90
Twin State Gas & Electric Ref. 5s, 1953	B..	82	84	6.30
United Light & Railways 6s, 1952	B..	96	96½	6.20
Tri-City Railway & Light 5s, 1930	B..	95	96	5.80
Bronx Gas & Electric 1st 5s, 1960	A..	89	92	5.65
Dallas Power & Light 6s, 1919	A..	101	102½	5.80
Portland Gas & Coke 1st 5s, 1940	B..	93	95	5.45
Denver Gas & Electric 1st 5s, 1949	A..	96	97	5.25
Indianapolis Gas Co. 1st 5s, 1952	B..	91	93	5.35
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A..	96	97	5.20
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	102½	104	7.05
Evansville Gas & Electric 1st 5s, 1932	B..	95½	96	5.90
Cleveland Elec. Ill. Co. 5s, 1939	A..	99½	100¼	5.00
United Light & Railway 5s, 1932	B..	91½	93	6.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	71	72	7.20
Houston Light & Power 1st 5s, 1931	B..	97½	98½	5.30
Nevada-California Electric 1st 6s, 1946	B..	94	96	6.25
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	96	97	5.60
Rochester Gas & Electric 7s, Series B, 1946	B..	108	109½	6.20
Buffalo General Electric 1st 5s, 1939	A..	99¼	100	5.00

TRACTION COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Galveston-Houston Electric Railway 1st 5s, 1954	B..	81	84	6.20
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	93½	95	6.55
Northern Ohio Traction & Light 6s, 1926	B..	98	99	6.95
Knoxville Railway & Light 5s, 1946	C..	90	92	5.70
Columbus Street Railway 1st 5s, 1932	B..	92	94¼	6.05
Kentucky Traction & Terminal 5s, 1951	C..	75	75½	7.05
Detroit United Railway 1st Coll. 8s, 1941	B..	106	107	7.30
Nashville Railway & Light 5s, 1953	B..	91	94	5.40
Memphis Street Railway 5s, 1945	C..	73½	75	7.20
Schenectady Railway Co. 1st 5s, 1946	C..	50	54	10.30
Topeka Railway & Light Ref. 5s, 1933	B..	87¼	89	6.68

HOLDING COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
American Power & Light 6s, Series A, 2016	B..	94	95	6.30
Standard Gas & Electric Co. 6s, 1935	C..	90½	92	7.15
Penn.-Ohio Edison 6½s (notes), 1927	C..	98	100	6.50
General Gas & Electric s. f. 7s, 1952	B..	97	101	6.90
American Gas & Electric 6s, 2014	B..	95½	96½	6.10
Middle West Utilities 8s, 1940	A..	105	107	7.40

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	96¼	97½	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	94½	96½	5.35
Ohio State Telephone Co. Ref. 5s, 1944	A..	96½	97½	5.35
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	96	98	5.35

* Yield computed at the asked price.

IS THE MINORITY STOCKHOLDER AS HELPLESS AS HE THINKS?

(*Continued from page 599*)

spirit of progress and national welfare.

Speaking on this point, Mr. Lawrence Berenson said to the writer:

"Notwithstanding that one would naturally suppose our work would lead us to regard big finance with pessimism we do not feel that way at all. There are of course many cases where officers and directors use bad judgment but the instances where they deliberately undertake to defraud their stockholders are rare. Officers and directors of most large corporations are hard working, honest men who give their best efforts to build up the equities for the stockholders whom they represent and through whom they hold their position. But there will always be exceptions and it is therefore necessary for someone to be on guard. It is our purpose to aid the minority stockholder and we have decided to devote our best efforts to protecting the rights guaranteed to him under our laws."

A Stirring Vindication

Judge Morris' decision in the case Superior Oil against the Atlantic Refining is likely to have far-reaching effects. On one hand it tends to destroy any confidence which, to quote the late Colonel Roosevelt, "malefactors of large wealth" may have in the ability of their legal advisors to guide them through the meshes of the law. It also discredits the only too generally accepted theory that if you only have money enough you can "get away with anything." On the other hand, it is a stirring vindication of the rights of the minority stockholder and shows him how, under expert and aggressive legal guidance, he need have no fear of the weight of money nor hostile legal talent no matter how great nor how able.

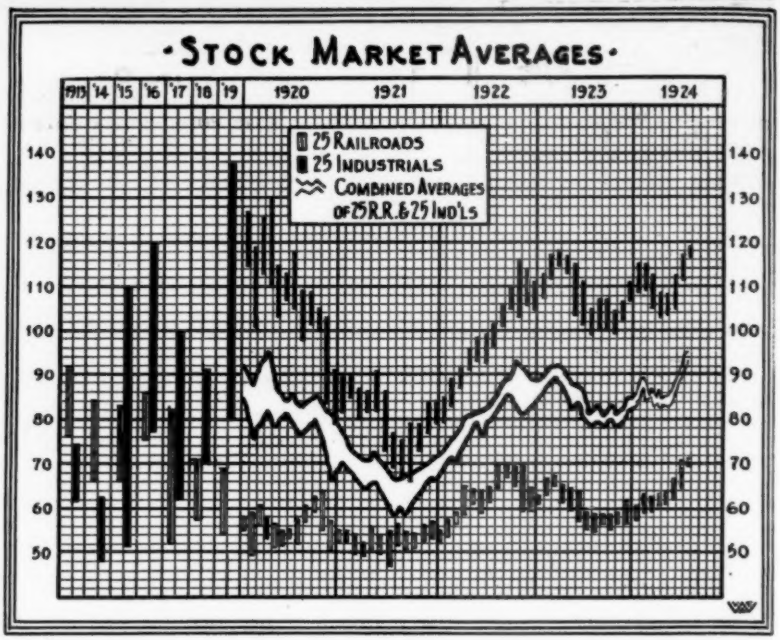
SCHOOL FOR TRADERS & INVESTORS

(*Continued from page 627*)

from "C," then he will not wait for his stop at "B" to be caught, but will promptly close out at the market, and perhaps get out with a loss of only a point or two.

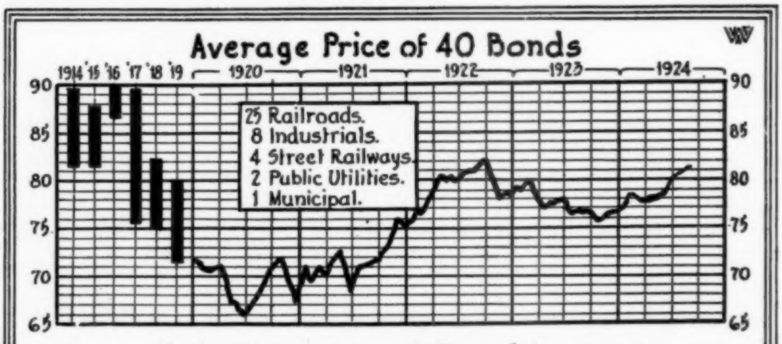
The insurance value of the stop at "B" is apparent in the light of the possibility that the stock may enter a sudden decline that will not be arrested until the new zone of accumulation "E" has been reached. If the trader is not watching his commitment at the time the "bad news" comes out that causes the decline, he is automatically out of the market at "B," and free to reconsider the issue again at "E" if he chooses to do so.

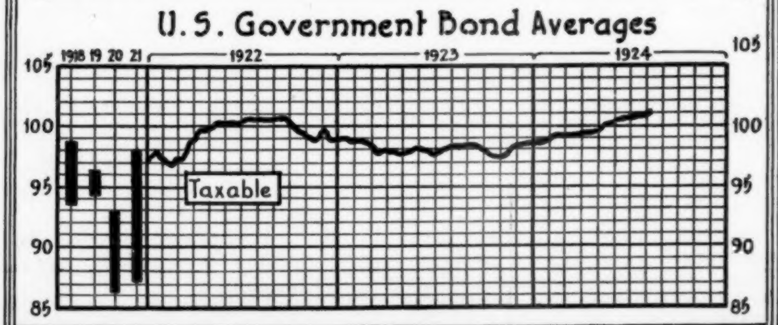
There are many other uses and arrangements of stops, which have been explained in previous discussions, and to which we may have occasion to refer in the future.



MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times — 50 Stocks — High	N. Y. Times — 50 Stocks — Low	Sales
Thursday, July 24......	81.60	99.36	90.10	92.85	91.62	1,164,710
Friday, July 25........	81.64	99.60	90.40	92.74	91.81	1,066,967
Saturday, July 26.......	81.69	100.36	90.41	92.99	92.19	524,615
Monday, July 28........	81.56	101.09	90.36	93.45	92.37	1,126,820
Tuesday, July 29.........	81.50	100.87	90.04	93.91	92.63	1,300,480
Wednesday, July 30.....	81.42	101.16	89.80	93.63	92.26	1,090,845
Thursday, July 31.......	81.46	102.14	90.08	94.11	92.73	1,154,097
Friday, August 1.......	81.38	102.12	89.87	94.73	93.48	1,221,398
Saturday, August 2.....	81.38	102.89	90.02	94.69	93.78	619,712
Monday, August 4......	81.36	103.28	89.79	95.36	93.89	1,178,008
Tuesday, August 5......	81.22	102.52	89.78	95.02	93.72	1,002,010
Wednesday, August 6...	81.11	102.57	89.73	94.85	93.63	897,037





Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Aeolian Co. pfd. (7)	75 — 80
Aeolian Weber	12 — 15
Aeolian Weber pfd. (7)	65 — 70
Allied Packers	3½— 5
Pr. Pfd.	39 — 42
American Arch (5P)	89 — 93
American Book Co. (7)	105 —110
American Cyanamid (4P)	100 —103
Pfd. (6)	75 — 77
Amer. Thread pfd. (5%)	4 — 4⅛
Amer. Type Founders (7)	106½—107½
Pfd. (7)	104 — ..
Atlas Portland Cement (4)	86 — 92
Babcock & Wilcox (7)	123 —125
Barnhart Bros. & Spindler:	
1st Pfd. (7) G	100 —103
2nd Pfd. (7) G	87 — 91
Borden Co. (8)	128 —130
Pfd. (6)	104 —107
Bucyrus Co.	76 — 79
Pfd. (7A)	98 —102
Celluloid Co. (6)	58 — 62
Congoleum Co. pfd. (7)	98 —100
Crocker Wheeler	20 — 25
Pfd. (7)	70 — 75
Cushman's Sons, Inc. (3)	52 — 55
1st Pfd. (7)	98 —102
2nd Pfd. (8)	98 —100
Eisemann Mag. pfd. (7)	43 — 47
Franklin Rwy. S.	80 — 90
Ide (Geo. P.) & Co., Inc.	9 — 12
Pfd. (8B)	77½— 80
Jos. Dixon Crucible (8)	133 —138
Ingersoll Rand (8P)	230 —250
John-Manville, Inc. (3P)	104 —108
Lehigh Port'd Cement (3)	59 — 60
McCall Corp'n	53 — 57
Pfd. (7B)	113 —118
National Fuel Gas (5P)	100 —103
Nat'l Licorice Co. (5P)	75 — 80
Pfd. (6)	85 — ..
New Jersey Zinc (8P)	150 —153
Niles-Bement-Pond	32 — 36
Pfd. (6)	.. — 75
Phelps-Dodge Corp'n (4)	100 —105
Poole Engin'g (Maryand):	
Class A	17 — 21
Class B	15 — 18
Purity Baking Co. (3)	43 — 48
Richmond Radiator Co.	16 — 17
Pfd.	80 — 88
Royal Baking Powder (8)	135 —142
Pfd. (6)	99 —101
Safety Car H. & L. (8)	109 —112
Savannah Sugar (6)	61 — 64
Pfd. (7)	81 — 84
Sheffiield Farms (6)	105 — ..
Pfd. (6)	89 — 93
Singer Mfg. Co. (7)	159 —162
Superheater Co. (K)	102 —105
Technicolor, Inc.	8 — 9
Thompson-Starrett (4)	70 — ..
United Bakeries	82½— 84½
Pfd. (8)	93 — 95
Victor Talking Mach. (8)	125 —135
Ward Baking "A"	94 — 98
Ward Baking "B"	22½— 23
Pfd. (7)	86 — 88
White Rock (K)	10¼— 11¼
2nd Pfd. (5)	56 — 59
1st Pfd. (7)	85 — ..
Yale & Towne (4P)	65 — 67

* Dividend rates in dollars per share designated in parentheses.

P—Plus Extras.

A—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.

B—In arrears 16%.

Guaranteed as to principal and dividend by Amer. Type Founders.

x—Ex-Dividend.

K—Dividend rate on this stock not established.

OVER-THE-COUNTER stocks were active during the fortnight. Demand was particularly good for the better-known investment issues, several of which made substantial gains.

American Type Founders: This standard investment issue, which was first suggested for investment in this Department when it was available around $40 per share, reached a new high for the movement of 107. The strength was, in some part, due to purchases made in anticipation of the issue's being listed on the New York Stock Exchange, but there was additional basis for it in the excellent record, increased earning power and trade prestige of the issuing company.

American Type Founders has grown steadily since its formation in 1892, and has paid dividends uninterruptedly since 1898. In the period since 1918, shown earnings have increased from $446,000 to $991,000, and in view of the conservative character of the management, actual earnings are believed to have grown even more substantially. In the year to end August 31st, it is probable that American Type Founders' actual results will approximate between $25-$30 per share, comparing with the current dividend rate of 7%.

This Department continues to regard Type Founders with favor as a high-grade investment containing no small speculative possibilities.

Barnhart Bros. & Spindler: If the common shares of the American Type Founders Co. are attractive at the current price of 107, even greater attractions, from the standpoint of permanent investment, must be attributed to the 1st and 2nd preferred issues of Barnhart Bros. & Spindler. Both of these issues are guaranteed, as to principal and dividend, by the American Type Founders Co. The entire common issue of the Barnhart Co. is owned by Type Founders, and while no dividends have been paid on this common issue, average annual earnings available for it in the last

five years have exceeded $9 a share.

The Barnhart 1st Preferred, enjoying a better market than the 2nd preferred, offers a yield of about 7% at current levels. The 2nd preferred offers a return of nearly 7.60%. For a permanent investment, where marketability may be ignored, this guaranteed 2nd preferred is a very attractive issue, and the 1st preferred is little less attractive, considering its larger floating supply.

White Rock Mineral Springs: A brief description published here July 19th, dealing with White Rock 2nd preferred, aroused considerable interest in the issue, which has since gained several points. However, its attractions appear little diminished by the price advance. At the present offered price of 59, and on the present dividend rate of 5% a return of nearly 8.5% is offered, and this does not allow for the issue's participating feature which, on the basis of the 1923 earnings, would entitle it to a maximum dividend of over $12 a share. White Rock's working capital requirements are very small, due to the nature of its business, and if its sales continue to grow, the prospects of the 2nd preferred should be substantial.

Aeolian Co.: Another preferred stock which seems to merit consideration is that of the Aeolian Co. This 7% issue is selling at $80 per share, dividends upon it are guaranteed by the Aeolian Weber Co., and the indicated yield at present prices is nearly 9%.

Aeolian Weber is a holding company, controlling a number of musical instrument companies. Over a period of years, its affairs have not appeared over-prosperous, but recent months have witnessed a substantial upturn, signalized by the recent advance in the preferred stock from $27 per share to around $70 per share, and the resumption of dividends at the 7% rate.

Aeolian Weber 7% preferred is in arrears of about 55%, representing the accumulations. Without considering the possibility of these arrears being discharged, the offered yield of over 10% is attractive from a speculative point of view.

The most recent news concerning the Aeolian Co. surrounds the sale of its large 42nd Street building to the Schulte interests. The amount realized from this sale is not known, but it was held at $6,000,000, and the probable profit to the Aeolian Co. may be judged from the fact that the building was erected before the war, or prior to the real-estate boom.

Lehigh Portland Cement: In the previous issue, this Department devoted some space to a description of the Lehigh Portland Cement Co. The capitalization of this company should have been said to consist of 447,348 shares outstanding of an authorized 500,000 shares, of par value $50. Lehigh Portland Cement has no bonded debt and dividends since 1918 have been at the annual rate of 6%, or $3 per share, comparing with an estimated net profit, on the basis of the 1923 output, equivalent to about $6.70 per share. Stock capitalization was raised from $12,000,000 to $18,000,000 in 1917 and from $18,000,000 to the present authorized $25,000,000 in 1923.

Municipal Bonds

Suitable for Bank Investments

HIGHER-GRADE MUNICIPALS

			Rate Interest	Maturity	Approximate Yield
N	Detroit Mich.		4½	June 1940	4.30
N	South Dakota		5½	Dec. 1939	4.70
N	Dallas, Texas		5	May 1957	4.45
	State of Illinois		4	Mar. 1941-43	4.05
	Miami Cons. Dist., Ohio		5½	Dec. 1933	4.50
	Omaha, Nebraska		5	March 1936	4.35
N	Mercer Co., N. J.		4½	July 1937 & 1940	4.125
N	Youngstown, Ohio		6	Oct. 1933-34	4.50
N	State of Minnesota		4¾	Dec. 15, 1943	4.25
N	Albany, N. Y.		4	June 1929-38	3.90
N	Albany, N. Y.		4	June 1945-64	3.85
	Memphis, Tenn.		5	July 1945-55	4.50
	Rockingham Co., N. C.		5¼	May 1930-49	4.80
N	Boston, Mass.	Reg'd	4	July 1936	4.00
N	Newark, N. J.		4½	July 1936-63	4.10
	Kansas City, Kansas		4¾	May 1944	4.45
N	Cleveland, Ohio		5	1931	4.20
N	Newark, N. J.		5½	March 1949	4.20
	Kansas City, Mo.	S. D.	4½	Jan. 1943	4.20
	Kansas City, Mo.	S. D.	5	July 1941	4.25
N	Cincinnati, Ohio		4½	Oct. 1953	4.15
	Portland, Oregon		4	1935-49	4.30
	Fort Worth, Texas		5	Feb. 1940-63	4.60
	Mobile, Ala.		5	Nov. 1953	4.60
	Montgomery, Ala.		5	July 1953	4.75
N	State of West Virginia		4½	April 1937	4.20
	St. Petersburg, Fla.		5¼	June 1954	4.85
	Maricopa Co., Ariz. (Phoenix)		6	Jan. 15, 1947	4.90
	Lakewood, N. J.	S. D.	4½	Aug. 1944-52	4.30
N	Tulsa, Okla.		5½	Feb. 1929	4.60
	Greenville, S. C.		5	Jan. 1963-43	4.50
	Dayton, Ohio		5	Sept. 1931-39	4.25
	Toledo, Ohio	S. D.	5	Sept. 1944 & 46	4.40
N	State of Kansas		4½	July 1945	4.10
N	Los Angeles, Calif.		5	Feb. 1935-63	4.50
N	Los Angeles, Calif.		4¾	1943-54	4.45
N	Los Angeles, Calif.		4½	1935-54	4.40
	Denver, Colo.	S. D.	4½	Jan. 1945-47	4.20
	St. Petersburg, Fla.	S. D.	5½	May 1954	5.00
	Norfolk, Va.		5	May 1952	4.50
N	Tulsa, Okla.		5	Feb. 1941	4.60
N	State of North Dakota		5	Jan. 1944 & 1949	4.65
N	Camden, N. J.		4½	July 1932-48	4.15
N	Camden, N. J.		4½	July 1949-58	4.10
N	State of California		4	July 3, 1947	4.15
N	State of California		4	Jan. 1958/39	4.15
N	Chicago, Ill.		4	Jan. 1939	4.10
N	State of Minnesota		4½	June 1954	4.20
N	St. Paul, Minn.		4½	July 1935	4.15
N	Dallas, Texas		5	May 1955	4.45
N	State of Oregon		4½	1933 & 1936	4.25
N	Jersey City, N. J.		4	Oct. 1932	4.15
N	Troy, N. Y.		4	July 15, 1934-60	3.90
N	Atlantic City, N. J.		4¾	Mar. 1932-58	4.25
N	New York City		4¼	June 1974	4.12
N	State of California		4	July 2, 1959	4.05
N	State of Mississippi		4¾	May 1940	4.35
	Akron, Ohio	Reg'd.	4½	May 1928-35	4.35
N	Milwaukee, Wis.		4½	1930 & 1933	4.10
N	Oklahoma City, Okla.		5	1930-44	4.40

N—Legal for savings banks in New York State.

WORLD'S GREATEST RAILROAD INVESTOR

(Continued from page 609)

This has made it possible to devote practically all its net earnings from operations to dividend purposes and also to keep piling up an enormous surplus. *At the present time the book value of Union Pacific common is almost $200 per share.*

Earnings Record

In no year of the last ten, have earnings per share on the common been less than $10 per share. They reached a high of $18.64 per share in 1918 and for the past three years have averaged $14.50. In 1923, they were equal to $16.17 per share, which was the best since 1919. Maintenance has been consistently liberal, so that these large balances available for the stock have not been obtained at the expense of the property.

Although gross revenues for the first half of 1924 have declined slightly as compared with the same period of 1923, net operating income is approximately the same. With good prospects for a recovery in general business during the latter part of this year, it is probable that traffic will be heavy and gross revenues improve materially. It would not be surprising if the Union Pacific exceeded the $16.17 per share earned on its common in 1923. In any event, the $10 dividend will be covered with a large margin to spare.

At its present price of 142 Union Pacific yields 7% on the amount invested. This is a very attractive yield on a stock the dividend on which is so well secured. Years ago when the same rate was being paid and earnings were no better this stock sold well above 200. With the lower level of interest rates toward which

we are gravitating, it is probable that securities of the calibre of Union Pacific will soon be no longer available on a 7% basis.

In conclusion, the stock is very attractive from an income standpoint and should also appreciate considerably in price. Confidence in railroad securities is gradually being restored and the fear of unfair government regulation is subsiding. Because of this change in attitude and the fact that its $10 dividend is amply protected, Union Pacific represents a desirable investment.

AMERICAN ZINC, LEAD & SMELTING CO.

(*Continued from page* 630)

was great overproduction of spelter and that situation still exists. American Zinc in particular, found the going exceedingly hard. In 1918 the company was able to barely scrape through with a small profit, but for the four succeeding years it showed deficits, ranging from $125,000 to more than $1,000,000. In 1922, the company was able to show a $22,000 net income but last year a deficit again appeared, totaling approximately $40,000.

In the first half of the current year American Zinc earned a net of approximately $80,000 before depreciation and depletion. As last year the company charged off more than $400,000 for those two items, it is evident that American Zinc is falling considerably short of breaking even.

Outlook for Company

American Zinc's unsatisfactory position, then, is due partly to difficulties of its own manufacture and partly to economic conditions over which the company has no control. A study of the causes leading to American Zinc's present situation would appear to warrant the conclusion that there will have to be a considerable recovery in the price of spelter before the company can expect to show any substantial balances on the right side of its income ledger. A brisk demand from abroad following the settlement of the European situation might be sufficient to raise the company from its present depression. Until such an event is imminent neither the preferred nor common stock should be regarded as attractive speculations.

There is $2,008,250 par value of preferred stock outstanding and $4,828,000 par value of common, par 25. On May 1, last, accumulated dividends on the preferred amounted to $21 a share. The company has $1,000,000 of 1st mortgage 5% bonds outstanding, due in two years, and $600,000 notes due June 1, 1928. Both of these funded obligations were acquired in taking over properties. American Zinc should, if fortune favors it in the next couple of years, devote its earnings to improving its financial position rather than to paying dividends. **In our opinion there are other metal stocks offering more attractive speculative possibilities.**

NINE PREFERRED STOCK OPPORTUNITIES

(*Continued from page* 615)

sections of Maryland, Virginia, Pennsylvania and its subsidiaries operate in several small New Jersey communities.

The earning power of the company has been increased through greater operating efficiency and acquisition of promising new properties. There is every reason for believing that the present substantial earning power of the company can be maintained. **The first preferred stock at present price of 98, returning 7.1%, represents an attractive investment opportunity.**

RADIO CORP. 7% PFD. While this stock is classed as speculative, the splendid outlook for the radio industry should result in an increase in earning power that will entitle the stock to a higher rating before long. There are outstanding 19.8 millions preferred stock. Originally it had a par value of $5 per share but the company is exchanging this $5 par stock for new $50 par stock on which dividends at the rate of $3.50 per annum are being paid.

Earnings have shown remarkable increases in the past three years. In 1921, net income was only $425,000, in 1922 it had increased to 3 millions, and last year net was 4.7 millions, equivalent to 3½ times the preferred dividend requirements. Radio is now carrying 25 to 30% of the Trans-Atlantic messages as well as increasing its percentage of business in other parts of the world. In addition, it receives a large income through the sale of radio apparatus. The new preferred shares par $50 are selling on the New York Curb around 42 returning about 8½% on the investment. Through its holdings of valuable patents, Radio Corporation is practically immune from competition in this country and appears to have a very definitely assured future. **The preferred issue is unusually attractive at current prices.**

AUSTIN, NICHOLS 7% PFD. Austin, Nichols & Company conducts one of the largest wholesale grocery businesses in the country, its activities centering in New York City and vicinity as well as in the Middle West. With the exception of 1921, when the deflation in food lines caused a loss in inventory, earnings for a number of years have been in excess of preferred dividends and for the year ended January 31st, 1924, the preferred dividend was earned nearly three times over.

There are 4.5 millions 7% cumulative preferred stock outstanding which has first claim on earnings and assets of the company as there is no funded debt. Working capital of the company is equivalent to $100 a share on the preferred and net tangible assets to $200 a share. The management is adopting the policy of gradually reducing the amount of preferred stock outstanding through purchases in the open market. Earnings so far this year are understood to be on a favorable basis. **At present levels of 85,**

returning 8.2%, the stock offers excellent possibilities for enhancement in value.

CAL. PETROLEUM 7% PFD. California Petroleum is one of the largest producers of oil in California and the preferred stock is well secured by property value and earning power. Dividends are now being paid on the common (par $25) stock at the rate of 7% annually and the preferred stock will share equally with the common in any increase in this rate. As earnings in 1923 were equivalent to 22% on the common stock and this year are running at the rate of about 16% a share, there are good prospects for an increase in the common dividend, which would mean a similar increase for the preferred stock. The stock is classed as speculative as earnings come almost entirely from oil production which is always a more or less uncertain proposition. The company, however, has extensive holdings and earnings should continue on a satisfactory basis. In 1923, earnings were equivalent to over six times the dividend requirements on the preferred issue. **In view of the return of 7.4% and the possibility of higher dividends in the future, through participating rights, this preferred stock has much to recommend it.**

TRADE TENDENCIES

(*Continued from page* 631)

steady expansion. With the financial prostration of Europe, however, normal export demand was cut off and the domestic red metal markets clogged by an increasing influx of cheap South American copper.

In the past year the larger copper companies have attempted to restore a measure of stability to prices by curtailing output, but failure of numerous small operators to join in these movements has nullified such efforts. Thus, with copper in abundant supply, prices gradually drifted downward to levels unprofitable to all but the very low cost producing companies.

The prospect of renewed competition from foreign consumers has already caused a scramble for supplies on the part of domestic interests, and while there is now less disposition to buy indiscriminately, it would seem that copper has finally been lifted out of the rut. A considerable amount of speculative buying evidently accompanied the recent advance and export demand was likewise largely in evidence.

A seller's market has developed and prices are being rather firmly held. In fact, a number of producers have withdrawn from the market. A larger fall demand for copper for industrial purposes should aid in sustaining late gains and, in the event of final agreement between the Allies and Germany on the Dawes Plan, further improvement may be anticipated.

THOSE NEW HIGH LEVELS FOR INCOME BONDS

(*Continued from page 606*)

but the increase has been comparatively moderate.

There is still another point to be raised in this connection. The recent price of the M. K. & T. Adj. Mtge. 5s is slightly below the high levels for both of the past two years although the investment position of the issue has been gradually improving, and the general outlook for all the railroads is a great deal more satisfactory than it has been for a long period. To say that the bonds have no possibilities merely because they have recently advanced about ten points would show a lack of understanding of the situation.

Other Attractive Issues

The 6 per cent Adjustment Mortgage bonds of the *International Great Northern* also appear to be selling on an attractive basis at the present time, the yield offered being in excess of 11 per cent, although there is certainly no apparent danger of an interest payment being passed. This road has staged a real comeback within the past few years and is now earning its interest charges by a very fair margin. The recent acquisition of its common stock by the New Orleans, Texas & Mexico has materially strengthened the position of the bonds, but this has evidently not as yet been fully discounted in the market price for the issue.

While there is not much to be expected from the *Hudson & Manhattan* Income 5s in the way of early speculative profits, the issue is desirable as a semi-speculative bond investment which yields a fair return. The 7.40 per cent current return and 7.80 per cent to maturity is rather high in comparison with the risk involved. Recent showings made by the company indicate that the investment position of its securities has increased considerably of late.

Another issue which has attractions is the *Seaboard Air Line Adj. Mtge.* 5s. They may be recommended as a long-term holding which should eventually become a middle-grade investment.

In considering the purchase of any of the income issues, the investor should remember that this class of bonds are more to be compared with preferred stocks than with bonds, being just a little higher in investment position. In some cases they are not secured by pledge of property, being merely debenture bonds on which the interest must only be paid when earned. Even when income bonds are secured by a mortgage on property of the issuing company, they are usually so far removed and subject to such large prior liens that earning power is often the only real gauge of value.

The provisions of the indenture under which income bonds are issued vary to such an extent and are of such importance that they should be given particular attention. Whether interest is cumulative is of great importance especially where earnings are inclined to vary

greatly from year to year. The method of determining the amount of earnings available for interest payments is also to be given more than usual consideration.

Comparing any of the income bonds issues listed in the accompanying table with a representative railroad preferred stock, it will be seen that the yield is high. For example, the 5% preferred stock of the *St. Louis-Southwestern* is now quoted at 69 to yield but 7.2 per cent. The issue is non-cumulative and dividend payments have been erratic in the past. In view of this it is difficult to see why the yield of this preferred issue is so much less than that to be secured from income bonds of companies almost as well situated, especially since the holders of the income bonds have a direct lien on earnings and in the majority of cases benefit from the provision making interest cumulative.

There is some basis to the belief that the public's lack of faith in income bond issues has brought about a situation where the group sells much out of line with other classes of securities. The practical security buyer will let neither prejudice nor seemingly high price levels influence him against the purchase of an issue that offers more than a fair return with below the average risk.

HOW THREE IMPORTANT INDUSTRIES WILL BE AFFECTED BY RISE IN CROP VALUES

(*Continued from page* 613)

around 104 is but 5.7%. While a purchase is not to be recommended from the standpoint of speculative profits, the holder of this security is entitled to expect a gradual increase in its market price, if held for a long-pull.

MONTGOMERY WARD & CO.

Sales of Montgomery Ward & Co. have shown a remarkable increase during the last few years and this increase is still in process. The 1923 total of 123.7 millions compared with but 68.5 mllions in 1921, and this year's total is likely to be as high as 147 million dollars. On the basis of this estimate, the company should have no difficulty in showing 7 millions net available for the 1.1 million shares of $10 par value common, which would mean about $6 per share.

Both the troubles of the past and the fact that no dividends are being paid on this issue have done much to hold its market value down to comparatively low levels. This does not mean that the stock has not risen in market value along with the change in the company's state of affairs. It has, but seemingly not to the extent to which it is entitled. The fact that 4.3 millions in accumulated dividends must be paid off on the preferred stock before anything can be declared on the common has also been a detrimental factor in the market price of the common.

The splendid management which this company now enjoys is a factor of no

small importance in judging the prospects for the junior shares; and with better conditions among the customers of the company it is safe to say that everything in the outlook is entirely favorable. **A steady increase in both sales and profits is to be expected and the holder of the common stock should eventually receive fair-sized dividend disbursements.**

HAS THE FERTILIZER INDUSTRY TURNED THE CORNER?

THIS industry will stand to benefit to quite some extent from the change in agricultural conditions and the current year should witness substantial improvement in the fertilizer business. During the past year total fertilizer sales of the largest part of the industry amounted to approximately 5.9 million tons which was considerably below the average for the past five years as well as below the 1913 total.

So far this year there has been an increase of about 10% in fertilizer sales. While this is of course favorable it does not mean that the industry has returned to normal. Even with a 10% gain in sales, operations are still far below capacity and most organizations are barely making both ends meet. It is the outlook for the last half of this year and for 1925 which gives real encouragement. Present low prices for fertilizer material (they are below the 1913 level) should gradually show improvement and allow a wider margin of profit to manufacturers. A substantial increase in volume of sales appears to be inevitable.

AMERICAN AGRICULTURAL CHEMICAL

The business of this company has shown decided improvement so far this year and profits are reported to have been larger than in 1923. Even greater improvement is to be expected from now to the close of the year, due to prospects of heavier buying from those sections of the country which have enjoyed the greatest increase in prosperity. The best showing will not be made, however, until next spring when the purchase of fertilizer always assumes the largest proportions.

While the great majority of organizations in this industry are suffering from poor financial conditions, the American Agricultural Chemical Company is financially sound, as evidenced by the fact that working capital is in excess of funded debt, and notes payable were but two millions at the close of last year compared with cash on hand of 2.3 millions. Current assets and current liabilities were in the ratio of approximately 10 to 1.

The 1st ref. 7½ per cent bonds of the company which mature in 1941, are now quoted around 92 to return over 8% currently. This is unusually attractive for a bond issue so well secured as to assets, though a number of years of restored earnings may be needed to place the issue on an investment plan.

The 6% cum. preferred at 41 has possibilities but is of course speculative. Accumulations amount to 19½ per cent. The common stock is selling around 16 and is to be considered as nothing more than a gamble. Of all three issues, therefore, the 7½% bonds are in the most favorable position.

WHAT THE BUSINESS MAN SHOULD KNOW ABOUT PROMISSORY NOTES

(*Continued from page 605*)

tiable, as the following case illustrates:

"I O U Frank Smith, $..,000. (Signed) John Jones."

At common law this instrument would not be negotiable, as it is merely the acknowledgement of an old obligation, and contains no promise to pay.*

Now, in Illinois, by statute, Secs. 3, 4, Ch. 98, and in a number of such States, such instruments are made negotiable. **It is for this reason that the sound merchant or banker must be posted on the statutes governing their state, and be alert on their provisions in construing negotiable instruments.**

When the Note Becomes Operative

The last question under consideration, relative to the negotiability of an instrument is that incident to the time the note is to become operative.

A note is said to become operative upon delivery, which is meant the transfer of possession with intent to transfer title.

Ther are two kinds of delivery: Actual, and Constructive. Actual delivery is the manual passing of the instrument itself. Constructive delivery is accomplished by some act which manifests the intent to passs the right of possession, while the actual possession does not pass.**

Having now considered some of the essentials of negotiability, it is worth our interest that the matter of indorsement be discussed.

Bankers not infrequently find, as well as the merchant, that the writing of the name of the holder on a negotiable instrument for the purpose of transferring title, or the writing of his name, by a stranger, to the note for the purpose of strengthening the security of the holder, by assuming a contingent liability for its future payment, is of primary importance.

Now, decisions in the courts reveal the fact that any emblem of a person's name will suffice to be binding on the party on the note, and the writer has seen many an instrument signed with nothing more than a cross, and the person's name printed in. Where such cases arise, however, the precaution of having witnesses present to verify the sign, is above all necessary; and the latter should be present at the time of signing, and in the presence of each other, although these

* Norton, 37 Clark on Contracts, page 55.
** Benjamin, pages 118-9.

precautions are by way of suggestion, and will be helpful in avoiding subsequent embarrassment upon the maturity of the instrument.

There are several kinds of indorsements: in blank, special indorsements, indorsements without recourse, conditional, and restrictive indorsements. However, I will only illustrate how careful the banker or merchant must be to insure the safeguarding of their interests; and cite the following instance:

A thief stole, in December, from the payee and owner, a thirty-day promissory note indorsed in blank for the payment of $2,000, and a paper indorsed in blank acknowledging payment for and agreeing to deliver in thirty days one hundred barrels of flour of a quality then worth $10 a barrel.

The next day after these thefts, a capitalist bought and received the note and the other written instrument for a valuable consideration from the thief, believing the thief to be the rightful owner.

Now, in this case, inasmuch as the capitalist is a bona-fide holder, for value, and this without notice, he acquires a good title to the promissory note indorsed in blank, for the same was a negotiable instrument.

In the case of the second paper, it not being a negotiable instrument, it could be only transferred by assignment. It is for this reason that the capitalist would take title to it, subject to all the equities between the prior parties; and any action, in the absence of statute, must be brought in the name of the assignor.

The above cases reveal the importance to the banker and merchant of indorsement on notes. If in the first instance the note had been filled in with the name of a particular party, the person finding same would have had to forge the name of the person designated, and the capitalist could not have taken title, as he would not have received any better one than the thief himself had in gaining wrongful possession of the instrument.

Not infrequently, the holder of a note, whether he be banker, merchant, or individual, acting in a personal capacity, finds it necessary to renew a note. In such

Status of Leading Oil Companies

(Continued from page 601)

PACIFIC OIL—Should show pretty much the same as last year. Its oil reserves in California the largest of any oil company in the country.

PAN-AMERICAN—Earnings reported at a lesser rate than last year but question arises as to whether about all of the bad news is not out about this company. Naval Reserve litigation of vital importance as the company has based its future largely on its Naval Reserve developments. Management seems entirely confident that the judicial decision will be entirely different from that of politicians and the press. Company is building a 140 mile 10-inch pipe line from Bakersfield, California, to Pan-American's refinery in that state.

PIERCE OIL—New management has been able to affect large savings in overhead and with the new capital actively at work this company should at last be able to show balances on the right side of its ledgers.

PHILLIPS PETROLEUM—Earnings very large in the first half year and company is still doing well in spite of the drop in the wholesale gasoline market. Is owner of very valuable properties and is one of the strongest independent producers. Is in a position to store its own crude in dull times.

PRAIRIE OIL & GAS—Have purchased considerable oil on a higher price scale than now obtaining. If present price structure is maintained, company will show a considerable inventory loss on much of the oil bought this year. But company's strong finances permit it to carry its oil until times improve sufficiently for all the inventory to be liquidated at a profit or without loss. Not making much money from the refining and marketing ends of its business.

SALT CREEK PRODUCERS—See Mutual Oil.

SIMMS PETROLEUM—Enjoying a considerable growth in production and earnings. Cash and net working capital position strong.

SINCLAIR—Recent passing of dividend justifies opinion of this company which we have consistently maintained for a long time. Too much "Sinclair." No improvement in sight.

STANDARD OF CALIFORNIA—See California Petroleum. Standard of California has been able to market its products at good prices and company is in excellent shape.

STANDARD OF INDIANA—Business running about 20% ahead of last year but has had much price cutting to contend with. However, the company had a fine year in 1923 and indications point results equally as good if not better for 1924.

STANDARD OF KENTUCKY—Operating in a territory showing active growth and indicated profits for 1924 should be considerably more than for 1923. Management entirely competent.

STANDARD OF NEW JERSEY—Earning at about the 1923 rate.

SUPERIOR OIL—Down to bed rock and doing well after its somewhat checkered career. If judgment against Atlantic Refining is affirmed in higher courts, it will mean $3,100,000 additional working capital for Superior.

TEXAS CO.—Another one of the "big fellows" which, like Standard of New Jersey, is not finding the going any too smooth. Inventory reported considerably reduced, which should make for a stronger working capital position at the end of the year.

TRANSCONTINENTAL — More market activity than usual. Well press-agented reports of "big doings" which come under the category of "interesting if true." This company has still to justify its existence.

instances, the greatest amount of human care and foresight are necessary to insure the careful renewal of the responsibility of all the parties who were on the original note.

Take this case for example:

Suppose there are three parties on a note as makers. Suppose, on the maturity date, only one of the makers came into the bank, and asked for an extension of time on the note? The banker, we'll say, grants the asked for extension, and does not notify the other two makers or signers on the note, that he has granted an extension. Now, you say, would such an extension release the other makers, who did not receive notice of the extension?

The answer to this question is, that if there was a certain time specified, say, thirty days, as an extension; and a valuable consideration included, and such an extension was made by the banker without notice to the other makers, why, then those makers who are not notified, would be released.

Each day, with the laws, relative to negotiable instruments changing in the different states, with the progress made by the legislatures throughout the country, which ever seek to pass new laws, as a panacea for all evils, the banker and the merchant find that a policy of eternal vigilance is the only safeguard in assuring the validity of their instruments, and in securing them in the payment of their notes, which are spoken of as the structure upon which the whole framework of their business is constructed.

ARE ELECTRIC RAILWAYS ON THE ROAD TO PROSPERITY?

(*Continued from page* 629)

A discussion of the future outlook for the industry must take up each traction group separately. As previously stated the subway and elevated systems have bright prospects. The surface line group operating in large cities can look forward to better times on the whole. The same is true of the large interurban companies. The smaller organizations in both groups have not yet emerged from their difficulties to sufficient extent to warrant hopefulness, or an investment of funds in that quarter.

The dissimilar outlook for various divisions of the industry is explained by variation in traffic density and the fact that different items enter into their expense accounts in varying proportion. The organizations whose labor costs constitute a very large percentage of operating expenses will not do well this year, because labor is dear. Those whose chief items of expense are fuel and other materials will benefit by the lower trend of prices. Thus it behooves the prospective investor to inquire into these matters before placing his funds in the securities of a traction company.

Special attention should also be paid to the condition of a company's property and its financial condition as several years of hard times have left many in a rather un-

enviable position. Allowance should also be made for the fact that any number of companies will have to scrap parts of their systems and replace with motor buses, which will mean a great reduction in capital account and equity behind securities. The security bargains are to be found for the most part among bond issues well protected by assets and yet selling on a high yield basis, such as is the case in many instances. If the company is operating in a well populated territory, enjoys a fair degree of public confidence or good will, is not on the verge of bankruptcy and has made good use of all new improvements such as the one man car, there is no reason to doubt the possibilities of its bond issues.

ANSWERS TO INQUIRIES

(Continued from page 642)

which has good possibilities, there is no object to switching to another security unless you are very sure that the new security will show you an even greater profit. On the other hand, if the stock you are holding faces a very uncertain future, there is every reason why you should switch into a stock with better prospects. By well advised switches, investors are frequently able to turn a serious loss into a profit. National Acme for the quarter ended June 30th reported a loss of $249,000 after depreciation and interest and for the six months ended June 30th there was a deficit of $148,000. A part of the large loss in the second quarter was due to interrupted operations on account of rearranging equipment at the Coit plant. For the year ended December 31st, 1923, National Acme earned 96 cents a share on its stock compared with a loss of $805,000 in 1922. At the close of 1923, the company was carrying bank loans of $900,000 in addition to a funded debt of 4.8 millions. In view of the unsatisfactory earnings of this company and comparatively weak financial condition, it is our opinion that there are better possibilities of making up your loss in some other issue. We suggest a switch into Willys Overland common. Close to $5 a share was earned on the common stock in 1923 and earnings this year was expected to be in excess of $2 a share.

JORDAN MOTOR
Year's Dividend Earned

I am holding for investment a few shares of Jordan Motor Company's stock and would appreciate any information you may be able to supply in regard to earnings, financial condition and operating statistics.— H. E., Boston, Mass.

Jordan Motor Company, for the six months ended June 30th, 1924, earned in excess of the full year's dividend requirements of $3 a share on the common stock. In view of the fact that the first six months this year was a rather trying period in the automobile industry, demand for cars not coming up to expectations, this is a very good showing. Balance sheet as of June 30th, 1924, showed quick assets of 2.2 millions and current

indebtedness of $326,236. The company has $603,704 cash on hand and no bank loans. A new line of medium-priced eight-cylinder cars known as the "Great-Line Eight" has been brought out and it is understood that this new model has met with a good reception. The Jordan car is largely an assembled proposition, the principal parts being purchased from other manufacturers. Consequently, overhead is comparatively small. In 1923, Jordan turned over its capital about 12 times. The company recently made public some interesting statistics showing what happens to the Jordan dollar; cost of material takes 77.1 cents, of which amount 1.9 cents is saved through cash discount; 5.5 cents goes for production cost; 4.1 cents for advertising and selling expense; and 2.4 cents for general administration. Profit on car sales is 10.2 cents, and profit on parts sales 4.7 cents. As the company is in strong financial condition and has demonstrated a substantial earning power under conditions that many automobile manufacturers found unsatisfactory, we believe the stock is entitled to consideration as a speculation.

Securities and Commodities Analyzed in this Issue

WILL POLITICS SHAKE THE BANKING WORLD IN 1924?

(*Continued from page* 636)

large city banks, than they could get from the agricultural credit banks. One large national bank of New York City has just announced a syndicate acceptance operation running up as high as $40,000,000 for the use of cooperative farm organizations during the coming year, so that from this source alone it would seem that the farmer will get more real funds than he obtained from the twelve intermediate credit banks together during the year 1923.

The new agricultural relief corporation established by subscriptions to capital stock made by the larger national banks in New York and elsewhere, has also begun to be of service in helping to correct the bad banking situation which has prevailed in the Western states, and this line of work has appealed strongly to the good sense of farm interests in those portions of the country which had been hardest hit by the bank failures of the past few months. Moreover, the better prices that have been prevalent for some time past in all parts of the farming region have done their share toward establishing better feeling, and have gone far toward reassuring some who had become pessimistic about the future of farm industry. Retail trade throughout the West is now greatly improved. Taken together, these things have, in some measure, diminished the virulence of the agitation for unsound banking which spread all over the West during 1922 and 1923, and have created a better basis politically than could then have been predicted.

Elements of Danger

While fully recognizing the better prospects throughout the country and the more temperate attitude which prevails with respect to the use of banking credit in connection with farming, the forecaster of political conditions must also recognize the presence of some elements of danger. First of all, there is nothing in any of the outgivings thus far on behalf of either party that really furnishes any assurance that the dangerous measures which have already received a good deal of support in Congress will not be taken up and pressed forward. Secondly, there is still pending in Congress legislation which directly bears upon banking and whose effects would undoubtedly be injurious to it.

One measure which is regarded with a good deal of doubt by many bankers is the so-called McFadden bill. Thirdly, the danger is constantly present, and was actually encountered in the 1920 campaign, that candidates will of their own accord give pledges of reduction of rates of interest or discount, or will promise to support unwise banking measures of one kind or another, or will undertake to stir up hostility against the existing banking system. Both parties were guilty in this way in 1920, and it was out of their promises made on the "stump" that much of the

harm that has been accomplished during the last four years, including the tinkering with the personnel of the Federal Reserve Board and of the reserve banks, really grew.

President Coolidge has given good evidence, since he entered office, of his intention not to interfere further with the Federal Reserve System, although he has shown no disposition to eliminate the politicians who had obtained a hold upon it. Nevertheless, he has refrained from attempting to force changes in discount rates by direct means, and he has exerted himself in many ways to find means of obtaining farm relief that did not depend upon a straining of the provisions of the Federal Reserve Act.

Possible Developments

In another aspect, the banking situation on its political side needs to be very carefully considered by the bankers themselves. Experience in the past has shown that the years after political campaigns in which not very much was said about banking and currency, were periods when it was thought safe to attempt to put through undesirable legislation, on the ground that neither party was particularly committed on the subject, so that its hands were free to do about as they saw fit, without being charged with disregard of platform pledges. There is undoubtedly a large element both in and out of Congress which intends to attempt at an early date to work toward a more centralized form of banking with either a single central institution or with a very small group of such institutions, say, three or four. This plan was urged by financial interests, at the time when the Federal Reserve Act was under consideration, and of late there has been an effort to get it up again in some Washington circles. The branch-banking question will also come to the front, indeed can hardly be held back, and since this also is unlikely to figure in the campaign politicians will regard themselves as comparatively free to guide their conduct as they see fit. On the other hand, too, the fact that the campaign passes without special criticism of policies that have been followed of late in the management of the Reserve System tends materially to perpetuate and aggravate these evils. While, therefore, it is satisfactory that there should appear to be in sight no direct assault upon the banking system either central or local, there is no reason whatever for relaxing the attention which the more public-spirited bankers of the country have for some time past been giving to the whole subject. Our banking system is at a point which will probably in later years be recognized as one of rather critical importance and its development from now on will depend much upon the care and attention that is given to it by those engaged in the profession. If they should be enabled, as now seems likely, to continue the discussion of conditions carefully and thoughtfully without the intervention of direct political attacks, the problem of getting sound action will be rendered easier but it certainly will not be disposed of or eliminated.